

# Consolidated statement of comprehensive income

## for the year ended 30 June

N\$'000	Note	2010	2009
Interest and similar income	2	1 438 074	1 581 797
Interest expense and similar charges	2	(629 850)	(838 580)
<b>Net interest income before impairment of advances</b>		<b>808 224</b>	<b>743 217</b>
Impairment losses of advances	13	(12 960)	(38 412)
<b>Net interest income after impairment of advances</b>		<b>795 264</b>	<b>704 805</b>
Non interest income	3	644 414	433 434
Net insurance premium income	4	225 100	184 761
Net claims and benefits paid	5	(142 717)	(125 377)
Fair value adjustment to financial liabilities	26	(2 307)	(25 748)
(Increase) / decrease in value of policyholder liabilities: insurance contracts	27	(38 040)	72 720
Fair value adjustment of policyholder liabilities: investment contracts	28	2 525	11 438
<b>Income from operations</b>		<b>1 484 239</b>	<b>1 256 033</b>
Operating expenses	6	(803 084)	(694 054)
<b>Net income from operations</b>		<b>681 155</b>	<b>561 979</b>
Share of profit from associates	16.4	5 189	1 872
<b>Income before tax</b>		<b>686 344</b>	<b>563 851</b>
Indirect tax	7.1	(19 600)	(12 503)
<b>Profit before tax</b>		<b>666 744</b>	<b>551 348</b>
Direct tax	7.2	(207 849)	(184 589)
<b>Profit for the year</b>		<b>458 895</b>	<b>366 759</b>
<b>Other comprehensive income</b>			
Net gain on available-for-sale financial assets		7 672	16 307
Income tax relating to other comprehensive income	19	(1 831)	(6 890)
<b>Other comprehensive income for the year</b>		<b>5 841</b>	<b>9 417</b>
<b>Total comprehensive income for the year</b>		<b>464 736</b>	<b>376 176</b>
<b>Profit for the year attributable to:</b>			
Non cumulative non redeemable preference shareholders			315
Ordinary shareholders		429 278	354 165
Equity holders of the parent		429 278	354 480
Non-controlling interests		29 617	12 279
<b>Profit for the year</b>		<b>458 895</b>	<b>366 759</b>
<b>Total comprehensive income for the year attributable to:</b>			
Non cumulative non redeemable preference shareholders			315
Ordinary shareholders		435 119	363 582
Equity holders of the parent		435 119	363 897
Non-controlling interests		29 617	12 279
<b>Total comprehensive income for the year</b>		<b>464 736</b>	<b>376 176</b>
<b>Basic and diluted earnings per share (cents)</b>	8.2	<b>166.1</b>	<b>136.1</b>

# Consolidated statement of financial position

## as at 30 June

NS'000	Note	2010	2009
<b>Assets</b>			
Cash and short term funds	10.1	455 215	356 674
Due from banks and other financial institutions	10.2	851 182	479 256
Derivative financial instruments	11	57 119	130 487
Advances	12	11 226 660	10 486 434
Investment securities	14	2 799 659	1 898 611
Accounts receivable	15	117 610	116 208
Investments in associates	16	22 594	21 464
Tax asset			517
Property and equipment	17	267 024	236 406
Intangible assets	18	56 360	58 946
Deferred tax asset	19	5 885	508
Policy loans on investments contracts		26 931	22 767
Reinsurance assets	20	50 080	286 944
Non current assets held for sale	21	753	4 823
<b>Total assets</b>		<b>15 937 072</b>	<b>14 100 045</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Deposits and current accounts	22.1	12 045 869	10 600 680
Due to banks and other financial institutions	22.2	54 346	22 731
Derivative financial instruments	11	58 019	115 631
Creditors and accruals	23	261 450	296 628
Gross outstanding claims		7 695	11 377
Gross unearned premium		20 127	18 058
Provision for unexpired claims	24	3 876	2 740
Tax liability		32 001	5 511
Post-employment benefit liabilities	25	31 302	21 671
Deferred tax liability	19		18 090
Long term liabilities	26	263 505	261 238
Policyholder liabilities under insurance contracts	27	963 968	927 304
Policyholder liabilities under investment contracts	28	43 831	36 066
<b>Total liabilities</b>		<b>13 785 989</b>	<b>12 337 725</b>
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders</b>			
Ordinary shares	29	1 291	1 291
Share premium	29	191 695	195 066
Reserves		1 758 631	1 444 138
<b>Capital and reserves attributable to the group's ordinary equity holders</b>		<b>1 951 617</b>	<b>1 640 495</b>
<b>Non-controlling interest</b>		<b>199 466</b>	<b>121 825</b>
<b>Total equity</b>		<b>2 151 083</b>	<b>1 762 320</b>
<b>Total equity and liabilities</b>		<b>15 937 072</b>	<b>14 100 045</b>

# Consolidated statement of changes in equity

## for the year ended 30 June

N\$'000									
	Share capital	Share premium	Share-based payment reserve	Available-for-sale reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity holders	Non-controlling interests	Total equity
<b>Balance at 30 June 2008</b>	1 321	257 792	6 848	(3 956)	382	1 220 860	1 224 134	144 306	1 627 553
Total comprehensive income for the year				9 417		354 480	363 897	12 279	376 176
Profit for the year						354 480	354 480	12 279	366 759
Other comprehensive income for the year				9 417			9 417		9 417
Staff share option transactions			2 037				2 037		2 037
BEE consortium share option transactions			1 220				1 220		1 220
Ordinary dividends						(146 243)	(146 243)	(35 000)	(181 243)
Preference dividends						(315)	(315)		(315)
Transfer to / (from) contingency reserves					2 064	(2 064)			
Effective change of shareholding in subsidiaries						(592)	(592)	240	(352)
Consolidation of shares held by share trusts	(30)	(62 726)							(62 756)
<b>Balance at 30 June 2009</b>	1 291	195 066	10 105	5 461	2 446	1 426 126	1 444 138	121 825	1 762 320
Total comprehensive income for the year				5 841		429 278	435 119	29 617	464 736
Profit for the year						429 278	429 278	29 617	458 895
Other comprehensive income for the year				5 841			5 841		5 841
Staff share option transactions			1 170				1 170		1 170
BEE consortium share option transactions			1 199				1 199		1 199
Ordinary dividends						(152 502)	(152 502)		(152 502)
Transfer to / (from) contingency reserves					1 611	(1 611)			
Effective change of shareholding in subsidiaries						29 507	29 507	48 024	77 531
Consolidation of shares held by share trusts		(3 371)							(3 371)
<b>Balance at 30 June 2010</b>	1 291	191 695	12 474	11 302	4 057	1 730 798	1 758 631	199 466	2 151 083

# Consolidated statement of cash flows

## for the year ended 30 June

N\$'000	Note	2010	2009
<b>Cash flows from operating activities</b>			
Cash receipts from customers		2 243 767	2 219 484
Interest and similar income		1 414 685	1 547 221
Other non interest income		601 790	486 349
Net insurance premium received		227 292	185 914
Cash paid to customers, suppliers and employees		(1 490 211)	(1 603 391)
Interest expense and similar charges		(629 810)	(838 567)
Net claims and benefits paid		(142 717)	(125 377)
Total other operating expenses		(717 684)	(639 447)
Cash flows from operating activities	32.1	753 556	616 093
(Increase) / decrease in income earning assets		(1 712 805)	(659 769)
Due from banks and other financial institutions		(371 926)	525 058
Advances		(729 796)	(1 348 739)
Investment securities		(836 415)	92 967
Accounts receivable and similar accounts		(11 532)	(31 582)
Reinsurance assets		236 864	102 527
Increase / (decrease) in deposits and other liabilities		1 445 792	532 145
Deposits		1 445 189	924 399
Due to banks and other financial institutions		31 614	(331 103)
Accounts payable and similar accounts		(31 011)	(61 151)
<b>Net cash generated from operations</b>		486 543	488 469
Tax paid	32.2	(225 740)	(145 452)
<b>Net cash flow from operating activities</b>		260 803	343 017
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	32.3	(59 157)	(69 138)
Purchase of software		(27 162)	(4 081)
Addition to Agency force business		(6 344)	
Proceeds from the disposal of property and equipment		376	415
Proceeds from the disposal of non current asset held for sale		5 500	
Net reduction / (increase) in investment in associates	32.4	726	(15 428)
Dividends from associate company		3 333	880
Proceeds from the sale of shares in Momentum Life Assurance Namibia Ltd	32.5	76 339	
<b>Net cash outflow from investing activities</b>		(6 389)	(87 352)
<b>Cash flows from financing activities</b>			
Purchase of shares for share trusts		(3 371)	(62 756)
Dividends paid	32.6	(152 502)	(181 558)
<b>Net cash outflow from financing activities</b>		(155 873)	(244 314)
<b>Net increase in cash and cash equivalents</b>		98 541	11 351
Cash and cash equivalents at the beginning of the year *		356 674	345 323
Cash and cash equivalents at the end of the year *	10.1	455 215	356 674

\* Includes mandatory reserve deposits with central bank

# Notes to the consolidated annual financial statements for the year ended 30 June

## 1 Accounting policies

The accounting policies of the group are set out on pages 41 to 60.

## 2 Analysis of interest income and interest expenditure, by category.

NS'000	2010			
	Fair value	Amortised cost	Non financial assets and liabilities	Total
<b>Interest and similar income</b>	105 428	1 332 646		1 438 074
- Advances		1 203 858		1 203 858
- Cash and short term funds		79 707		79 707
- Investment securities	105 428	37 731		143 159
- Unwinding of discounted present value on non performing loans		9 992		9 992
- Unwinding of discounted present value on off-market advances		5 967		5 967
- On impaired advances		(12 039)		(12 039)
- Net release of deferred fee and expenses		7 430		7 430
<b>Interest expense and similar charges</b>	23 794	605 574	482	629 850
- Deposits from banks and financial institutions		1 635		1 635
- Current accounts		278 301		278 301
- Savings deposits		5 577		5 577
- Term deposits		144 413		144 413
- Negotiable certificates of deposit		175 648		175 648
- Long term liabilities	23 794			23 794
- Other			482	482

NS'000	2009			
	Fair value	Amortised cost	Non financial assets and liabilities	Total
<b>Interest and similar income</b>	115 868	1 465 929		1 581 797
- Advances		1 364 779		1 364 779
- Cash and short term funds		58 856		58 856
- Investment securities	115 868	31 040		146 908
- Unwinding of discounted present value on non performing loans		21 140		21 140
- Unwinding of discounted present value on off-market advances		6 594		6 594
- On impaired advances		(23 322)		(23 322)
- Net release of deferred fee and expenses		6 842		6 842
<b>Interest expense and similar charges</b>	30 768	806 870	942	838 580
- Deposits from banks and financial institutions		16 218		16 218
- Current accounts		352 697		352 697
- Savings deposits		11 650		11 650
- Term deposits		234 565		234 565
- Negotiable certificates of deposit		191 740		191 740
- Long term liabilities	23 818			23 818
- Other	6 950		942	7 892

# Notes to the consolidated annual financial statements for the year ended 30 June

## 3 Non interest income

NS'000	2010	2009
<b>Fee and commission income:</b>		
- Banking fee and commission income	456 270	376 302
- Card commissions	48 070	31 436
- Cash deposit fees	63 987	54 509
- Commissions: bills, drafts and cheques	20 538	17 866
- Service fees	179 850	144 348
- Fiduciary service fees	7 024	5 425
- Other commissions	136 801	122 718
- Broking commission income	19 402	19 095
- Unit trust and related fees	8 690	6 656
- Reinsurance commission received by insurance companies	3 473	3 289
<b>Fee and commission income</b>	<b>487 835</b>	<b>405 342</b>
<b>Fee and commission income, by category</b>		
- Instruments at amortised cost	449 246	370 877
- Non financial assets and liabilities	38 589	34 465
<b>Fee and commission income</b>	<b>487 835</b>	<b>405 342</b>
Non banking fee and commission earned relate to fees and commissions earned for rendering services to clients other than those related to the banking operations. This includes commission earned on the sale of insurance products.		
<b>Fair value income:</b>		
- Foreign exchange trading	66 525	60 088
- Treasury trading operations	10 418	24 836
- debt instruments trading	3 102	463
- derivatives revaluation	7 316	24 373
<b>Fair value income</b>	<b>76 943</b>	<b>84 924</b>
<b>Portfolio analysis for fair value income</b>		
Held for trading	76 943	84 924
<b>Fair value income</b>	<b>76 943</b>	<b>84 924</b>
Foreign exchange net trading income includes gains and losses from spot and forward contracts, options, and translated foreign currency assets and liabilities. Interest rate instruments includes the gains and losses from government securities, corporate debt securities, money market instruments, interest rate and currency swaps, options and other derivatives.		
<b>Gains less losses from investing activities</b>		
- Gains on investment securities designated at fair value through profit or loss	1 208	
- Gains on realisation of available-for-sale financial assets		
- Bank	42	1 842
- Dividends received	10 109	16 943
- Listed shares - available-for-sale	8 527	15 073
- Unit trusts - available-for-sale	1 582	1 870
- Share of profit of associates (note 16.4)	5 189	1 872
- Gains and losses on revaluation of portfolio investments of insurance operations	57 044	(94 085)
<b>Gross gains less losses from investing activities</b>	<b>73 592</b>	<b>(73 428)</b>
Less: Share of profit of associates (disclosed separately on face of the statement of comprehensive income)	(5 189)	(1 872)
<b>Gains less losses from investing activities</b>	<b>68 403</b>	<b>(75 300)</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 3 Non interest income (continued)

NS'000	2010	2009
<b>Other non interest income:</b>		
- Gain on sale of property and equipment	1 296	84
- Rental income	2 095	2 525
- Other income	7 842	15 859
<b>Other non interest income</b>	<b>11 233</b>	<b>18 468</b>
<b>Other non interest income, by category</b>		
- Non financial assets and liabilities	11 233	18 468
	<b>11 233</b>	<b>18 468</b>
<b>Total non interest income</b>	<b>644 414</b>	<b>433 434</b>

## 4 Net insurance premium income

NS'000	2010	2009
<b>Insurance premiums</b>		
<b>Long term insurance contracts</b>		
<b>Individual life</b>	170 644	150 919
- Single premiums	20 634	23 478
- Recurring premiums	134 157	114 690
- Annuities	15 853	12 751
<b>Employee benefits</b>	11 712	10 089
- Single premiums and investment lump sums		185
- Recurring premiums	11 712	9 904
<b>Health</b>		
- Recurring premiums	39	218
<b>Policy fees on investment contracts</b>	3 818	183
<b>Total long term insurance contracts</b>	<b>186 213</b>	<b>161 409</b>
<b>Short term insurance contracts</b>		
Personal lines	69 931	52 128
<b>Total insurance premium income</b>	<b>256 144</b>	<b>213 537</b>
<b>Premium ceded to reinsurers</b>	<b>(28 852)</b>	<b>(27 624)</b>
Life insurance contracts	(17 339)	(16 628)
Short term insurance contracts	(11 513)	(10 996)
Change in unearned premium provision	(2 192)	(1 152)
<b>Net insurance premium income</b>	<b>225 100</b>	<b>184 761</b>
<b>Comprising:</b>	<b>225 100</b>	<b>184 761</b>
- Long term insurance contracts	168 874	144 781
- Short term insurance contracts	56 226	39 980

# Notes to the consolidated annual financial statements for the year ended 30 June

## 5 Net claims and benefits paid

NS'000	2010	2009
<b>Benefits paid in respect of long term insurance contracts</b>		
<b>Individual life</b>	119 813	122 813
- Death and disability	24 106	30 400
- Maturities	28 573	27 900
- Surrenders	30 843	33 293
- Lump sum annuities	951	852
- Annuities	35 340	30 368
Employee benefits	2 645	1 947
Health	914	889
<b>Gross claims and benefits paid on long term insurance contracts</b>	123 372	125 649
Insurance benefits recovered from reinsurers	(18 957)	(29 481)
<b>Net claims and benefits paid on long term insurance contracts</b>	104 415	96 168
<b>Benefits paid in respect of short term insurance contracts</b>		
- Personal lines claims	39 546	35 817
- Transfer to provision for unexpired claims (note 24)	1 136	914
<b>Gross claims and benefits paid on short term insurance contracts</b>	40 682	36 731
Less: Insurance benefits recovered from reinsurers	(2 380)	(7 522)
<b>Net claims and benefits paid on short term insurance contracts</b>	38 302	29 209
<b>Total net claims and benefits paid</b>	142 717	125 377
<b>Comprising:</b>	142 717	125 377
Gross claims and benefits paid on insurance contracts	164 054	162 380
Insurance benefits recovered from reinsurers	(21 337)	(37 003)



# Notes to the consolidated annual financial statements for the year ended 30 June

## 6 Operating expenses

NS'000	2010	2009
<b>Fee and commission expense</b>	26 472	20 756
Auditors' remuneration		
- Audit fees	4 867	4 430
- Fees for other services	96	117
- Prior year under provision	39	87
<b>Auditors' remuneration</b>	<b>5 002</b>	<b>4 634</b>
Amortisation of intangible assets		
- Trademarks	21 410	8 141
- Software	8 937	924
- Agency force		893
- Value of in-force business	5 745	2 282
<b>Amortisation of intangible assets (note 18)</b>	<b>36 092</b>	<b>12 240</b>
Depreciation		
- Leasehold property	5 234	2 511
- Equipment	17 293	12 610
- Computer equipment	5 801	3 723
- Furniture and fittings	6 818	5 672
- Motor vehicles	545	332
- Office equipment	4 129	2 883
<b>Depreciation (note 17)</b>	<b>22 527</b>	<b>15 121</b>
Operating lease charges		
- Property	10 532	9 942
- Equipment	2 908	3 671
<b>Operating lease charges</b>	<b>13 440</b>	<b>13 613</b>
Professional fees		
- Asset management fees	2 113	1 793
- Other	3 706	2 182
<b>Professional fees</b>	<b>5 819</b>	<b>3 975</b>
<b>BEE consortium share option cost (note 31)</b>	<b>1 199</b>	<b>1 220</b>
Direct staff costs		
- Salaries, wages and allowances	296 573	262 065
- Off-market staff loans amortisation	5 967	6 594
- Contributions to employee benefit funds	51 620	38 828
- Defined contribution schemes: pension	31 362	22 345
- Defined contribution schemes: medical	20 258	16 483
- Retirement fund surplus recognised (note 25.2)	(35 425)	
- Post retirement medical expense	7 470	5 406
- Severance pay provision: death in service	3 156	
- Social security levies	1 063	1 135
- Share-based payments (note 31)	3 441	2 037
<b>Direct staff cost</b>	<b>333 865</b>	<b>316 065</b>
- Other	13 735	11 350
<b>Total staff cost</b>	<b>347 600</b>	<b>327 415</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 6 Operating expenses (continued)

NS'000	2010	2009
<b>Total directors' remuneration (note 6.1.3)</b>	5 159	4 502
Other operating costs		
- Insurance	8 585	7 531
- Advertising and marketing	45 816	41 991
- Property and maintenance related expenses	32 130	27 189
- Legal and other related expenses	3 854	2 591
- Postage	6 297	5 130
- Stationery and printing	11 906	13 172
- Telecommunications	15 486	12 612
- Conveyance of cash	4 843	4 181
- Travel and accommodation	9 147	9 716
- Computer and processing related costs	131 250	93 878
- Other operating expenditure	70 460	72 469
<b>Other operating costs</b>	<b>339 774</b>	<b>290 460</b>
Investment properties		
- Operating expenses		103
- Repairs and maintenance		15
<b>Investment properties</b>		<b>118</b>
<b>Total operating expenses</b>	<b>803 084</b>	<b>694 054</b>
<b>Number of staff</b>	<b>1 791</b>	<b>1 664</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 6 Operating expenses (continued)

### 6.1 Directors emoluments

Emoluments paid to directors of the group are set out below:

NS'000						
		Salary	Bonus	Contributions to pension/ medical	Other allowance	Total
<b>6.1.1 Executive director:</b>						
<b>2010</b>						
VR Rukoro		1 386	1 288	256	319	3 249
		1 386	1 288	256	319	3 249
<b>2009</b>						
VR Rukoro		1 317	1 312	143	320	3 092
		1 317	1 312	143	320	3 092

### 6.1.2 Non-executive directors:

Non-executive independent directors:		Fees as directors	
		2010	2009
H-D Voigts (Chairman)		357	318
HWP Böttger		358	261
Il Zaamwani-Kamwi		210	143
PT Nevonga		57	43
SH Moir		366	315
CLR Haikali		245	185
MN Ndilula		127	96
CJ Hinrichsen		109	22
R Von Hase *		37	
F Truter *		44	
EP Shiimi *			27
* Services as directors of group subsidiaries.			
Other non-executive directors			
JK Macaskill			
JR Khethe			
		<b>1 910</b>	<b>1 410</b>

Executive directors and directors appointed by the main shareholder do not receive directors fees for services.

### 6.1.3 Total directors' remuneration and fees:

- Executive director	3 249	3 092
- Non-executive directors	1 910	1 410
	<b>5 159</b>	<b>4 502</b>

Directors are not subject to service contracts which determine a fixed service period.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 6.2 Share options

Share options allocated to directors and movements of share options are summarised below: Refer to note 31 for the description of terms of the share trusts.

	Opening balance	Granted during the year	Strike price (cents)	Expiry date	Taken up this year (number of shares)	Closing balance (number of shares)	Benefit derived (N\$'000)
<b>Executive director:</b>							
<b>VR Rukoro</b>							
FNB Namibia Holdings Ltd shares	439 000	147 000	5.17 - 11.55	Jun 2010 - Oct 2013	(98 300)	487 700	577
FirstRand Ltd shares	550 000	69 620	15.80 - 18.70	Nov 2013 - Nov 2014		619 620	
<b>Non-executive directors:</b>							
FNB Namibia Holdings Ltd shares							
Il Zaamwani-Kamwi	75 000		5.17	June 2010	(37 500)	37 500	249
PT Nevonga	75 000		5.17	June 2010	(37 500)	37 500	249

## 6.3 Directors' holdings in shares:

	2010		2009	
	Number of ordinary shares held	% held	Number of ordinary shares held	% held
<b>Names:</b>				
<b>Directly:</b>				
H-D Voigts	11 806	0.004%	11 806	0.004%
HWP Böttger	4 667	0.002%	4 667	0.002%
PT Nevonga	38 026	0.014%	526	0.000%
MN Ndilula			300	0.000%
SH Moir	6 000	0.002%	6 000	0.002%
VR Rukoro	47 274	0.018%		
Il Zaamwani-Kamwi	34 783	0.013%	34 783	0.013%
<b>Indirectly:</b>				
CLR Haikali	2 151 357	0.804%	727 978	0.272%
SH Moir	3 800	0.001%	3 800	0.001%
MN Ndilula	4 107 135	1.535%	943 272	0.353%

# Notes to the consolidated annual financial statements

## for the year ended 30 June

### 7 Tax

NS'000	2010	2009
<b>7.1 Indirect tax</b>		
Value-added tax (net)	11 412	7 549
Stamp duties	8 188	4 954
<b>Total indirect tax</b>	<b>19 600</b>	<b>12 503</b>
<b>7.2 Direct tax</b>		
Namibian normal tax		
- Current	233 147	154 209
Current year	234 622	153 727
Prior year	(1 475)	482
- Deferred	(25 298)	30 380
Current year	(25 008)	30 380
Tax rate change	(290)	
<b>Total direct tax</b>	<b>207 849</b>	<b>184 589</b>
<b>Tax rate reconciliation - Namibian normal tax</b>	<b>%</b>	<b>%</b>
Effective rate of tax	31	33
<i>Total tax has been affected by:</i>		
Non-taxable income	5	2
Other permanent differences	(2)	
Standard rate of tax	34	35

The rate of corporate tax was changed from 35% to 34% by the Ministry of Finance during the year.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 8 Earnings and dividends per share

### 8.1 Headline earnings per share

Headline earnings per share is calculated by dividing the group's attributable earnings to ordinary equity holders after excluding identifiable remeasurements, net of tax and non-controlling interest, by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Headline earnings (N\$'000)	428 395	352 912
Weighted average number of ordinary shares in issue	258 470 862	260 225 843
<b>Headline earnings per share (cents)</b>	<b>165.7</b>	<b>135.6</b>

	2010				2009			
	Banking	Insurance	Other	Total	Banking	Insurance	Other	Total
<b>Earnings attributable to ordinary equity holders of the group</b>	370 152	34 274	24 852	429 278	317 152	21 913	15 100	354 165
Profit on sale of property and equipment			(856)	(856)			(55)	(55)
Realised gains from available-for-sale financial assets	(27)			(27)	(1 198)			(1 198)
<b>Headline earnings</b>	<b>370 125</b>	<b>34 274</b>	<b>23 996</b>	<b>428 395</b>	<b>315 954</b>	<b>21 913</b>	<b>15 045</b>	<b>352 912</b>

### 8.2 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the group, obtained from the profit and loss component of the statement of comprehensive income, by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Earnings attributable to ordinary shareholders (N\$'000)	429 278	354 165
Weighted average number of ordinary shares in issue	258 470 862	260 225 843
<b>Basic earnings per share (cents)</b>	<b>166.1</b>	<b>136.1</b>

Basic earning per share equals diluted earning per share as there are no potential dilutive ordinary shares in issue.

#### Actual number of shares:

Shares in issue as at 1 July: opening balance	267 593 250	267 593 250
Number of shares in issue as at 30 June: closing balance	267 593 250	267 593 250
Adjustment for shares held in share trusts	(9 091 565)	(9 198 667)
<b>Adjusted actual number of ordinary shares in issue</b>	<b>258 501 685</b>	<b>258 394 583</b>

#### Weighted number of shares:

Actual number of shares in issue as at 1 July	267 593 250	267 593 250
Adjustment for weighted shares held in share trusts	(9 122 388)	(7 367 407)
Weighted average number of ordinary shares in issue	258 470 862	260 225 843

# Notes to the consolidated annual financial statements for the year ended 30 June

## 8 Earnings and dividends per share (continued)

### 8.3 Dividends per share and paid

	2010		2009	
	Cents	NS'000	Cents	NS'000
A final dividend (dividend no. 28) of 28.0 cents per share was declared on 13 August 2008 in respect of the six months ended 30 June 2008 and paid on 29 October 2008.			28	73 893
An interim dividend (dividend no. 29) of 28.0 cents per share was declared on 4 February 2009 for the six months ended 31 December 2008 and paid on 3 April 2009.			28	72 350
A final dividend (dividend no. 30) of 28.0 cents per share was declared on 19 August 2009 in respect of the six months ended 30 June 2009 and paid on 28 October 2009.	28	72 350		
An interim dividend (dividend no. 31) of 31.0 cents per share was declared on 3 February 2010 for the six months ended 31 December 2009 and paid on 8 April 2010.	31	80 152		
	59	152 502	56	146 243
A final dividend of 36 cents (2009: 28 cents ) was declared subsequent to year-end.	36	93 060		

The dividend in the current year and the prior year takes into account the elimination of the dividends to the share trusts, which are consolidated on a group level.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 9 Analysis of assets and liabilities by category

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on page 41 to page 60 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

N\$'000	2010						Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Non financial assets and liabilities	
<b>Assets</b>							
Cash and short term funds			455 215				455 215
Due from banks and other financial institutions			851 182				851 182
Derivative financial instruments	57 119						57 119
Advances			11 226 660				11 226 660
Investment securities	1 039 018	60 009	535 316	1 165 316			2 799 659
Accounts receivable			117 610				117 610
Investments in associates						22 594	22 594
Property and equipment						267 024	267 024
Intangible assets						56 360	56 360
Deferred tax asset						5 885	5 885
Policy loans on investments contracts			26 931				26 931
Reinsurance assets						50 080	50 080
Non current assets held for sale						753	753
<b>Total assets</b>	<b>1 096 137</b>	<b>60 009</b>	<b>13 212 914</b>	<b>1 165 316</b>		<b>402 696</b>	<b>15 937 072</b>
<b>Liabilities</b>							
Deposits and current accounts					12 045 869		12 045 869
Due to banks and other financial institutions					54 346		54 346
Derivative financial instruments	58 019						58 019
Creditors and accruals		6 127			255 323		261 450
Gross outstanding claims						7 695	7 695
Gross unearned premium						20 127	20 127
Provision for unintimated claims						3 876	3 876
Tax liability						32 001	32 001
Post-employment benefit liabilities						31 302	31 302
Long term liabilities		263 505					263 505
Policyholder liabilities under insurance contracts						963 968	963 968
Policyholder liabilities under investment contracts		43 831					43 831
<b>Total liabilities</b>	<b>58 019</b>	<b>313 463</b>			<b>12 355 538</b>	<b>1 058 969</b>	<b>13 785 989</b>



# Notes to the consolidated annual financial statements for the year ended 30 June

## 9 Analysis of assets and liabilities by category (continued)

NS'000	2009					Total
	Held for trading	Designated at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	
<b>Assets</b>						
Cash and short term funds			356 674			356 674
Due from banks and other financial institutions			479 256			479 256
Derivative financial instruments	130 487					130 487
Advances			10 486 434			10 486 434
Investment securities	718 325	6 402	336 742	837 142		1 898 611
Accounts receivable			116 208			116 208
Investments in associates					21 464	21 464
Tax asset					517	517
Property and equipment					236 406	236 406
Intangible assets					58 946	58 946
Deferred tax asset					508	508
Policy loans on investments contracts			22 767			22 767
Reinsurance assets					286 944	286 944
Non current assets held for sale					4 823	4 823
<b>Total assets</b>	<b>848 812</b>	<b>6 402</b>	<b>11 798 081</b>	<b>837 142</b>	<b>609 608</b>	<b>14 100 045</b>
<b>Liabilities</b>						
Deposits and current accounts					10 600 680	10 600 680
Due to banks and other financial institutions					22 731	22 731
Derivative financial instruments	115 631					115 631
Creditors and accruals		6 127			290 501	296 628
Gross outstanding claims						11 377
Gross unearned premium						18 058
Provision for unintimated claims						2 740
Tax liability						5 511
Post-employment benefit liabilities						21 671
Deferred tax liability						18 090
Long term liabilities		261 238				261 238
Policyholder liabilities under insurance contracts						927 304
Policyholder liabilities under investment contracts		36 066				36 066
<b>Total liabilities</b>	<b>115 631</b>	<b>303 431</b>			<b>10 913 912</b>	<b>1 004 751</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 10 Short term funds

### 10.1 Cash and short term funds

N\$'000	2010	2009
Coins and bank notes	205 788	205 168
Balances with central bank	194 883	110 558
Balances with other banks	54 544	40 948
<b>Cash and short term funds</b>	<b>455 215</b>	<b>356 674</b>
The carrying value approximates the fair value.		
<b>Mandatory reserve balances included in above :</b>	<b>128 968</b>	<b>110 558</b>

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day to day operations. These deposits bear little or no interest.

### 10.2 Due from banks and other financial institutions

N\$'000	2010	2009
Due from banks and financial institutions		
- In the normal course of business	851 182	479 256
	<b>851 182</b>	<b>479 256</b>
The carrying value approximates the fair value.		
<b>Geographical split:</b>		
Namibia	92	115 742
South Africa	663 229	70 186
North America	126 687	242 147
Europe	61 137	51 181
Other	37	
	<b>851 182</b>	<b>479 256</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 11 Derivative financial instruments

### Use of derivatives

Derivative contracts are not entered into for speculative purposes by the group. For accounting purposes, derivative instruments are classified as held for trading. The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risks.

The group's derivative activities do not give rise to significant open positions in portfolios of derivatives. Positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

### Banking group

Interest rate derivatives comprising mainly of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to reduce the risk that the group faces due to volatile interest rates.

As mentioned above, derivatives classified as held for trading include non qualifying hedging derivatives, ineffective hedging derivatives and the component of hedging derivatives that are excluded from assessing hedge effectiveness. Non qualifying hedging derivatives are entered into for risk management purposes but do not meet the criteria for hedge accounting. These include derivatives managed in conjunction with financial instruments designated at fair value.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, overtime.

The group uses the following financial instruments for hedging purposes:

**Forward rate agreements** are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

**Currency and interest rate swaps** are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

The group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the Risk Report on pages 153 to 159 of the Annual Report ("the Risk Report").

Please refer to note 36 for information on how the fair value of derivatives is determined.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 11 Derivative financial instruments (continued)

NS'000	2010			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
<b>Held for trading</b>				
Currency derivatives	445 862	47 486	457 737	54 625
- Forward rate agreements	440 348	38 391	452 223	45 530
- Options	5 514	9 095	5 514	9 095
Interest rate derivatives				
- Swaps	349 800	9 633	112 122	3 394
Total held for trading	795 662	57 119	569 859	58 019

NS'000	2009			
	Assets		Liabilities	
	Notional	Fair value	Notional	Fair value
<b>Held for trading</b>				
Currency derivatives	1 428 494	121 214	1 384 756	105 882
- Forward rate agreements	1 200 328	101 818	1 156 590	86 486
- Options	228 166	19 396	228 166	19 396
Interest rate derivatives				
- Swaps	1 372 383	9 273	990 326	9 749
Total held for trading	2 800 877	130 487	2 375 082	115 631

# Notes to the consolidated annual financial statements for the year ended 30 June

## 12 Advances

NS'000	2010	2009
<b>All advances are classified as loans and receivables</b>		
<b>Sector analysis</b>		
Agriculture	475 816	435 521
Banks and financial services	198 135	231 021
Building and property development	2 279 184	1 916 732
Government and public authorities	293 157	249 485
Individuals	6 397 357	5 979 482
Manufacturing and commerce	1 364 276	1 155 166
Mining	58 126	178 289
Transport and communication	170 620	227 025
Other services	291 445	439 754
Notional value of advances	11 528 116	10 812 475
Contractual interest suspended	(54 771)	(72 718)
Gross advances	11 473 345	10 739 757
Impairment of advances (note 13)	(246 685)	(253 323)
<b>Net advances</b>	<b>11 226 660</b>	<b>10 486 434</b>
<b>Geographic analysis (based on credit risk)</b>		
Namibia	11 226 660	10 486 434
<b>Category analysis</b>		
Overdrafts and managed accounts	1 303 790	1 456 183
Loans to other financial institutions	283 217	231 021
Card loans	81 184	71 441
Instalment sales	1 667 693	1 646 467
Lease payments receivable	80 621	82 934
Home loans	5 988 951	5 363 017
Term loans	1 756 922	1 652 154
Preference share advances		89 886
Other	365 738	219 372
Notional value of advances	11 528 116	10 812 475
Contractual interest suspended	(54 771)	(72 718)
Gross advances	11 473 345	10 739 757
Impairment of advances (note 13)	(246 685)	(253 323)
<b>Net advances</b>	<b>11 226 660</b>	<b>10 486 434</b>

Fair value of advances is disclosed in note 36.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 12 Advances (continued)

NS'000	Within 1 year	Between 1 and 5 years	Total
<b>2010</b>			
<b>Analysis of instalment sales and lease payments receivable</b>			
Lease payments receivable	26 851	53 770	80 621
Suspensive sale instalments receivable	781 419	1 200 496	1 981 915
Sub total	808 270	1 254 266	2 062 536
<i>Less: Unearned finance charges</i>	<i>(156 186)</i>	<i>(158 036)</i>	<i>(314 222)</i>
<b>Total</b>	<b>652 084</b>	<b>1 096 230</b>	<b>1 748 314</b>
<b>2009</b>			
Lease payments receivable	41 550	41 673	83 223
Suspensive sale instalments receivable	908 080	1 060 316	1 968 396
Sub total	949 630	1 101 989	2 051 619
<i>Less: Unearned finance charges</i>	<i>(188 402)</i>	<i>(133 816)</i>	<i>(322 218)</i>
<b>Total</b>	<b>761 228</b>	<b>968 173</b>	<b>1 729 401</b>

The group has not sold or pledged any advances to third parties.

Under the terms of lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 13 Impairment of advances

NS'000	2010							
	Overdrafts and managed accounts	Card loans	Instalment sales	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
<b>Analysis of movement in impairment of advances per class of advance</b>								
Opening balance	97 823	5 085	36 502	70 973	42 940	253 323	101 198	152 125
Amounts written off	(2 238)	(409)	(7 176)	(1 709)	(1 635)	(13 167)	(13 167)	
Unwinding of discounted present value on non performing loans	(1 084)			(8 731)	(177)	(9 992)	(9 992)	
Net new impairments created	(15 861)	(218)	10 140	(6 608)	29 068	16 521	21 661	(5 140)
- impairments created	20 923	1 030	31 906	31 161	44 649	129 669	82 298	47 371
- impairments released	(36 784)	(1 248)	(21 766)	(37 769)	(15 581)	(113 148)	(60 637)	(52 511)
<b>Closing balance</b>	<b>78 640</b>	<b>4 458</b>	<b>39 466</b>	<b>53 925</b>	<b>70 196</b>	<b>246 685</b>	<b>99 700</b>	<b>146 985</b>
New and increased provision	(15 861)	(218)	10 140	(6 608)	29 068	16 521	21 661	(5 140)
Recoveries of bad debts previously written off	(9 936)	1 446	6 022	1 143	(2 236)	(3 561)	(3 561)	
<b>Impairment loss recognised in the statement of comprehensive income</b>	<b>(25 797)</b>	<b>1 228</b>	<b>16 162</b>	<b>(5 465)</b>	<b>26 832</b>	<b>12 960</b>	<b>18 100</b>	<b>(5 140)</b>
2009								
NS'000	Overdrafts and managed accounts	Card loans	Instalment sales	Home loans	Term loans	Total impairment	Specific impairment	Portfolio impairment
Opening balance	92 976		36 588	79 818	35 704	245 086	98 176	146 910
Amounts written off	(2 270)	1 277	(6 939)	(1 758)	(1 469)	(11 159)	(11 159)	
Unwinding of discounted present value on non performing loans	(3 566)			(16 845)	(729)	(21 140)	(21 140)	
Net new impairments created	10 683	3 808	6 853	9 758	9 434	40 536	35 321	5 215
- impairments created	26 651	3 808	21 045	51 380	21 510	124 394	107 597	16 797
- impairments released	(15 968)		(14 192)	(41 622)	(12 076)	(83 858)	(72 276)	(11 582)
<b>Closing balance</b>	<b>97 823</b>	<b>5 085</b>	<b>36 502</b>	<b>70 973</b>	<b>42 940</b>	<b>253 323</b>	<b>101 198</b>	<b>152 125</b>
New and increased provision	10 683	3 808	6 853	9 758	9 434	40 536	35 321	5 215
Recoveries of bad debts previously written off	2 191	(180)	(3 569)	(1 179)	613	(2 124)	(1 964)	(160)
<b>Impairment loss recognised in the statement of comprehensive income</b>	<b>12 874</b>	<b>3 628</b>	<b>3 284</b>	<b>8 579</b>	<b>10 047</b>	<b>38 412</b>	<b>33 357</b>	<b>5 055</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 13 Impairment of advances (continued)

Significant loans and advances are monitored by the credit division and impaired according to the FNB Namibia impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- The estimated amount of collateral held against the loans and advances;
- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Loss given default (LGD), probability of default (PD) and exposure at default (EAD);
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

N\$'000	2010			
	Total value including interest in suspense	Security held	Specific impairments	Contractual interest suspended
<b>Non performing lendings by sector</b>				
Agriculture	8 223	7 363	759	1 156
Banks and financial services	2 561	1 820	532	365
Building and property development	75 921	36 405	24 457	15 621
Government and public authorities	1 060	27	659	375
Individuals	157 364	92 945	57 357	34 098
Manufacturing and commerce	26 074	11 674	12 514	2 068
Mining	365		360	4
Transport and communication	5 109	1 765	2 015	666
Other	2 951	1 517	1 047	418
<b>Total non performing lendings</b>	<b>279 628</b>	<b>153 516</b>	<b>99 700</b>	<b>54 771</b>
<b>Non performing lendings by category</b>				
Overdrafts and managed accounts	81 660	32 988	41 085	14 847
Card loans	3 458		3 917	468
Instalment sales	27 964	1 220	18 355	6 115
Lease payments receivable	7 506	1 769	1 414	415
Home loans	133 173	109 071	27 080	26 808
Term loans	25 867	8 468	7 849	6 118
<b>Total non performing lendings</b>	<b>279 628</b>	<b>153 516</b>	<b>99 700</b>	<b>54 771</b>
<b>Non performing lendings by geographical area</b>				
Namibia	279 628	153 516	99 700	54 771
<b>Net recoverable amount of non performing loans:</b>	<b>71 341</b>			



# Notes to the consolidated annual financial statements for the year ended 30 June

## 13 Impairment of advances (continued)

N\$'000	Total value including interest in suspense	2009		Contractual interest suspended
		Security held	Specific impairments	
<b>Non performing lendings by sector</b>				
Agriculture	3 692	3 004	101	611
Banks and financial services	178		77	102
Building and property development	77 631	29 312	24 022	25 189
Government and public authorities	1 060	26	671	268
Individuals	200 151	121 020	67 312	37 020
Manufacturing and commerce	15 184	5 273	5 790	4 290
Transport and communication	1 466		1 320	147
Other	9 895	4 107	1 905	5 091
<b>Total non performing lendings</b>	<b>309 257</b>	<b>162 742</b>	<b>101 198</b>	<b>72 718</b>
<b>Non performing lendings by category</b>				
Overdrafts and managed accounts	89 722	27 361	34 920	32 554
Card loans	3 582		3 650	299
Instalment sales	34 578	1 809	21 439	6 769
Lease payments receivable	1 513	30	894	289
Home loans	161 808	127 470	33 147	26 872
Term loans	18 054	6 072	7 148	5 935
<b>Total non performing lendings</b>	<b>309 257</b>	<b>162 742</b>	<b>101 198</b>	<b>72 718</b>
<b>Non performing lendings by geographical area</b>				
Namibia	309 257	162 742	101 198	72 718
<b>Net recoverable amount of non performing loans:</b>	<b>73 797</b>			

# Notes to the consolidated annual financial statements for the year ended 30 June

## 14 Investment securities

N\$'000	2010				Total
	Total fair value		Total amortised cost		
	Held for trading	Designated at fair value through profit or loss	Available-for-sale	Loans and receivables	
<b>Total</b>					
Equities	364 459	1 257	11 591		377 307
Negotiable certificates of deposit				247 105	247 105
Treasury bills	51 720		603 414		655 134
Other government and government guaranteed stock			243 303		243 303
Other dated securities			285 322		285 322
Unit trust investments		58 752	21 686		80 438
RMB Asset Management Namibia portfolio	622 736				622 736
Other and money market investments	103			288 211	288 314
<b>Total</b>	<b>1 039 018</b>	<b>60 009</b>	<b>1 165 316</b>	<b>535 316</b>	<b>2 799 659</b>
<b>Listed</b>					
Equities	364 459	1 257	11 591		377 307
Other government and government guaranteed stock			243 303		243 303
Other dated securities			7 088		7 088
	<b>364 459</b>	<b>1 257</b>	<b>261 982</b>		<b>627 698</b>
<b>Unlisted</b>					
Negotiable certificates of deposit				247 105	247 105
Treasury bills	51 720		603 414		655 134
Other dated securities			278 234		278 234
Unit trust investments		58 752	21 686		80 438
RMB Asset Management Namibia portfolio	622 736				622 736
Other and money market investments	103			288 211	288 314
	<b>674 559</b>	<b>58 752</b>	<b>903 334</b>	<b>535 316</b>	<b>2 171 961</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 14 Investment securities (continued)

N\$'000	2009				Total
	Held for trading	Total fair value	Available-for-sale	Total amortised cost	
		Designated at fair value through profit or loss		Loans and receivables	
<b>Total</b>					
Equities	328 346		10 300		338 646
Negotiable certificates of deposit				100 230	100 230
Treasury bills	547		354 594		355 141
Other government and government guaranteed stock			267 900		267 900
Other dated securities			186 068		186 068
Unit trust investments	28	6 402	18 280		24 710
RMB Asset Management Namibia portfolio	389 316				389 316
Other and money market investments	88			236 512	236 600
<b>Total</b>	<b>718 325</b>	<b>6 402</b>	<b>837 142</b>	<b>336 742</b>	<b>1 898 611</b>
<b>Listed</b>					
Equities	328 346		10 300		338 646
Other government and government guaranteed stock			267 900		267 900
Other dated securities			7 016		7 016
	<b>328 346</b>		<b>285 216</b>		<b>613 562</b>
<b>Unlisted</b>					
Negotiable certificates of deposit				100 230	100 230
Treasury bills	547		354 594		355 141
Other dated securities			179 052		179 052
Unit trust investments	28	6 402	18 280		24 710
RMB Asset Management Namibia portfolio	389 316				389 316
Other and money market investments	88			236 512	236 600
	<b>389 979</b>	<b>6 402</b>	<b>551 926</b>	<b>336 742</b>	<b>1 285 049</b>

### Analysis of investment securities

N\$'000	2010	2009
<b>Listed</b>		
Equities	377 307	338 646
Debt	250 391	274 916
	<b>627 698</b>	<b>613 562</b>
<b>Unlisted</b>		
Debt	2 171 961	1 285 049
<b>Total</b>	<b>2 799 659</b>	<b>1 898 611</b>
<b>Valuation of investments</b>		
Market value of listed investments	627 698	613 562
Directors valuation of unlisted investments	2 172 966	1 285 456
<b>Total valuation</b>	<b>2 800 664</b>	<b>1 899 018</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 14 Investment securities (continued)

The directors' valuation of unlisted investments is considered to approximate fair value.

Refer to note 36, fair value of financial instruments for the methodologies used to determine the fair value of investment securities.

Information regarding other investments as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information is open for inspection in terms of the provisions of Section 113 of the Companies Act.

No financial instruments held for trading form part of the group's liquid asset portfolio in terms of the Banking Institutions Act, (No 2 of 1998) and other foreign banking regulators requirements. The total liquid asset portfolio is N\$1 455 million (2009: N\$1 158 million).

The investment in government stock has been reclassified from unlisted to listed investments, to reflect market information. This reclassification has no effect on the profit and loss or on the financial position. Comparative figures reclassified to align with 2010 classification.

## 15 Accounts receivable

N\$'000	2010	2009
Accounts receivable		
- Items in transit	27 043	32 019
- Deferred staff cost	38 931	44 655
- Premium debtors	24 465	24 183
- Other accounts receivable	27 171	15 351
<b>Accounts receivable</b>	<b>117 610</b>	<b>116 208</b>

Information about the credit quality of the above balances is set out in the risk management note 40. The carrying value approximates the fair value.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 16 Investment in associates

### 16.1 Details of investments in associates

All associate companies are unlisted.

	Nature of business	Issued ordinary share capital N\$	Number of ordinary shares held 2010	Number of ordinary shares held 2009	Year end
Avril Payment Solutions (Pty) Ltd	Payroll administrators	10 000	1 000	1 000	28 February
FNB Insurance Brokers (Namibia) (Pty) Ltd	Short term insurance brokers	5	2	2	30 June
Namclear (Pty) Ltd	Interbank clearing house	4	1	1	31 December
RMB Asset Management Namibia (Pty) Ltd	Asset management	20 000	10 000	10 000	30 June

### 16.2 Effective holdings and carrying amounts in associate companies

N\$'000	Effective holding %		Group carrying amount		Group costs less amounts written off	
	2010	2009	2010	2009	2010	2009
Avril Payment Solutions (Pty) Ltd	10	10	468	291	1	1
FNB Insurance Brokers (Namibia) (Pty) Ltd	40	40	19 558	15 797	17 702	15 428
Namclear (Pty) Ltd	25	25	2 568	5 376	1 154	4 154
RMB Asset Management Namibia (Pty) Ltd	50	50				
<b>Total</b>			<b>22 594</b>	<b>21 464</b>	<b>18 857</b>	<b>19 583</b>

### 16.3 Detail information of associate companies

N\$'000	2010	2009
Carrying value at beginning of the year	21 464	5 044
Net (reduction) / increase in investment in associates	(726)	15 428
Share of associate earnings	5 189	1 872
Dividends received	(3 333)	(880)
Carrying value	<b>22 594</b>	<b>21 464</b>
<b>Valuation</b>		
Unlisted investments at directors' valuation	<b>22 594</b>	<b>21 464</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 16 Investment in associates (continued)

### 16.4 Summarised financial information of associate companies

N\$'000	Total		Avril Payment Solutions (Pty) Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd		RMB Asset Management Namibia (Pty) Ltd	
	2010	2009	Unaudited February 2010	Audited February 2009	Unaudited June 2010	Audited June 2009	Unaudited June 2010	Unaudited June 2009	Unaudited June 2010	Audited June 2009
<b>Statement of financial position</b>										
Non-current assets	17 734	28 667	201	464	13 524	20 906	3 991	7 270	18	27
Current assets	53 439	50 269	5 066	3 348	31 805	22 832	14 139	22 157	2 429	1 932
Current liabilities	(42 545)	(43 204)	(1 232)	(837)	(31 620)	(32 856)	(6 404)	(4 695)	(3 289)	(4 816)
Non-current liabilities	(1 164)	(3 330)	(63)	(67)			(1 101)	(3 263)		
Equity	27 464	32 402	3 972	2 908	13 709	10 882	10 625	21 469	(842)	(2 857)
<b>Share of profits from associates</b>										
After tax profit attributable to the group	5 189	1 872	1 111	980	3 887	369	191	523		

Refer note 35.3 for details on loans to / (from) related parties.

The full carrying value of the investment in RMB Asset Management Namibia (Pty) Ltd was impaired in the 2006 financial year. The group does not share in accumulated losses.

The most recent audited annual financial statements of associates are used by the group in applying the equity method of accounting for associates. These are not always drawn up to the same date as the financial statements of the group. In instances where significant events occurred between the last financial statement date of an associate and the financial statement date of the group, the effect of such events are adjusted for, where material. Where the last financial statement date of an associate was more than three months before the financial statement date of the group, the group uses the unaudited management accounts of the associate. The group has applied this principle consistently since adopting the equity accounting method for associates.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 17 Property and equipment

NS'000	2010			2009		
	Cost	Accumulated depreciation and impairments	Carrying amount	Cost	Accumulated depreciation and impairments	Carrying amount
<b>Property</b>						
Freehold land and buildings	180 775	(33 382)	147 393	172 230	(33 382)	138 848
Leasehold property	28 218	(15 546)	12 672	21 852	(10 354)	11 498
	208 993	(48 928)	160 065	194 082	(43 736)	150 346
<b>Equipment</b>						
Computer equipment	80 722	(41 404)	39 318	65 945	(36 070)	29 875
Furniture and fittings	79 331	(31 055)	48 276	65 834	(24 883)	40 951
Motor vehicles	8 188	(3 788)	4 400	7 468	(3 403)	4 065
Office equipment	36 889	(21 924)	14 965	29 532	(18 363)	11 169
	205 130	(98 171)	106 959	168 779	(82 719)	86 060
<b>Total</b>	414 123	(147 099)	267 024	362 861	(126 455)	236 406

### Movement in property and equipment - carrying amount

	Freehold land and buildings	Leasehold property	Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Total
Carrying amount at 30 June 2008	123 901	5 351	8 511	35 769	3 059	11 864	188 455
Additions	20 684	8 660	20 953	11 054	1 405	6 382	69 138
Depreciation charge		(2 511)	(3 723)	(5 672)	(332)	(2 883)	(15 121)
Transfer between classes			4 141			(4 141)	
Transfer to repairs and maintenance	(4 982)						(4 982)
Reclassified as held for sale	(753)						(753)
Disposals	(2)	(2)	(7)	(200)	(67)	(53)	(331)
Carrying amount at 30 June 2009	138 848	11 498	29 875	40 951	4 065	11 169	236 406
Additions	36 362	27	15 168	3 871	945	2 784	59 157
Depreciation charge		(5 234)	(5 801)	(6 818)	(545)	(4 129)	(22 527)
Transfer between classes	(22 315)	6 381	138	10 623		5 173	
Transfer to repairs and maintenance	(5 502)						(5 502)
Disposals			(62)	(351)	(65)	(32)	(510)
Carrying amount at 30 June 2010	147 393	12 672	39 318	48 276	4 400	14 965	267 024

The useful life of each asset is assessed individually. The list below provides information on the benchmark used when assessing the useful life of the individual assets:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property	
- Buildings and structures	50 years
- Mechanical and electrical	20 years
- Components	20 years
- Sundries	20 years
Computer equipment (including atm's)	3 - 5 years
Furniture and fittings	3 - 10 years
Motor vehicles	5 years
Office equipment	3 to 6 years

Information regarding land and buildings as required in terms of Schedule 4 of the Companies Act is kept at the company's registered offices. This information will be open for inspection in terms of the provisions of section 113 of the Companies Act, 1973.

No assets were encumbered at 30 June 2010 nor 30 June 2009.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 18 Intangible assets

N\$ '000	2010			2009		
	Cost	Accumulated amortisation and impairments	Carrying amount	Cost	Accumulated amortisation and impairments	Carrying amount
Trademarks	111 768	(93 658)	18 110	111 768	(72 248)	39 520
Goodwill	100		100	100		100
Software	34 016	(10 862)	23 154	6 854	(1 925)	4 929
Agency force	1 893	(1 893)		1 893	(1 893)	
Value of in-force business	28 883	(13 887)	14 996	22 539	(8 142)	14 397
<b>Total</b>	<b>176 660</b>	<b>(120 300)</b>	<b>56 360</b>	<b>143 154</b>	<b>(84 208)</b>	<b>58 946</b>

### Movement in intangibles - carrying amount

	Trademarks	Goodwill	Software	Agency force	Value of in-force business	Total
Carrying amount at 30 June 2008	47 661	100	1 772	893	16 679	67 105
Additions			4 081			4 081
Amortisation charge (note 6)	(8 141)		(924)	(893)	(2 282)	(12 240)
Carrying amount at 30 June 2009	39 520	100	4 929		14 397	58 946
Additions			27 162		6 344	33 506
Amortisation charge (note 6)	(21 410)		(8 937)		(5 745)	(36 092)
Carrying amount at 30 June 2010	18 110	100	23 154		14 996	56 360

### Change in estimate:

The review of the useful lives of trademarks during the year, resulted in the following change in the amortisation trend:

	2010	2011	2012	2013	2014
Amortisation charge increase / (decrease)	14 424	(518)	(1 021)	(1 492)	(1 935)

### Impairment of goodwill:

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity (business) to which it relates, and is therefore not combined at group level.

The CGU's to which the goodwill balance as at 30 June 2010 and 30 June 2009 relates to is FNB Namibia Unit Trust Company Ltd.

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The discount rate used is the weighted average cost of capital for the specific segment, adjusted for specific risks relating to the segment. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

The group assessed the recoverable amount of goodwill, and determined that no write down of the carrying amount was necessary.

	Discount rate		Growth rate	
	2010	2009	2010	2009
FNB Namibia Unit Trusts Limited	15.50%	14.50%	8%	5%



# Notes to the consolidated annual financial statements for the year ended 30 June

## 19 Deferred tax

NS\$'000	2010	2009
<b>19.1</b> The movement on the deferred tax account is as follows:		
<b>Deferred tax liability</b>		
Opening balance	140 770	115 905
- Tax rate adjustment	(4 022)	
- Charge to profit and loss component of the statement of comprehensive income	(16 999)	31 755
- Deferred tax on amounts charged directly to other comprehensive income	(1 831)	(6 890)
<b>Total credit balance</b>	<b>117 918</b>	<b>140 770</b>
<b>Deferred tax asset</b>		
Opening balance	(122 680)	(135 611)
- Tax rate adjustment	4 312	
- Charge to profit and loss component of the statement of comprehensive income	(5 435)	12 931
- Deferred tax on amounts charged directly to other comprehensive income		
<b>Total debit balance</b>	<b>(123 803)</b>	<b>(122 680)</b>
<b>Net balance for the year for entities with deferred tax (assets) / liabilities</b>	<b>(5 885)</b>	<b>18 090</b>
<b>Deferred tax liability</b>		
Opening balance	5	17
- Tax rate adjustment		
- Charge to profit and loss component of the statement of comprehensive income	(5)	(12)
- Deferred tax on amounts charged directly to other comprehensive income		
<b>Total credit balance</b>		<b>5</b>
<b>Deferred tax asset</b>		
Opening balance	(513)	
- Tax rate adjustment		
- Charge to profit and loss component of the statement of comprehensive income	513	(513)
- Deferred tax on amounts charged directly to other comprehensive income		
<b>Total debit balance</b>		<b>(513)</b>
<b>Net balance for the year for entities with deferred tax liabilities</b>		<b>(508)</b>
<b>Total net deferred tax balance</b>	<b>(5 885)</b>	<b>17 582</b>

Deferred tax assets and liabilities are offset when the income taxes relate to the same fiscal authority, same legal entity and there is a legal right to set-off.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 19 Deferred tax (continued)

19.2 Deferred tax assets and liabilities and deferred tax charge / (credit) in the comprehensive income are attributable to the following items:

N\$'000	2010			2009		
	Opening balance	Originating / (reversing) differences	Closing balance	Opening balance	Originating / (reversing) differences	Closing balance
<b>Deferred tax liabilities</b>						
Instalment credit agreements	(75 747)	26 927	(48 820)	(45 549)	(30 198)	(75 747)
Accruals	(26 082)	4 988	(21 094)	(35 855)	9 773	(26 082)
Deferred staff costs	(15 629)	446	(15 183)	(16 662)	1 033	(15 629)
Property and equipment	(22 091)	(7 888)	(29 979)	(17 031)	(5 060)	(22 091)
Fair value adjustments of financial instruments	(1 011)	(1 831)	(2 842)		(1 011)	(1 011)
Other	(210)	210		(808)	598	(210)
<b>Total net deferred tax liabilities</b>	<b>(140 770)</b>	<b>22 852</b>	<b>(117 918)</b>	<b>(115 905)</b>	<b>(24 864)</b>	<b>(140 770)</b>
<b>Deferred tax assets</b>						
Fair value adjustments of financial instruments				899	(899)	
Provision for loan impairment	39 933	(2 452)	37 481	38 564	1 369	39 933
Post-employment benefits	7 573	3 010	10 583	13 037	(5 464)	7 573
Other	75 174	565	75 739	83 111	(7 937)	75 174
<b>Total net deferred tax asset</b>	<b>122 680</b>	<b>1 123</b>	<b>123 803</b>	<b>135 611</b>	<b>(12 931)</b>	<b>122 680</b>
<b>Net deferred tax assets</b>	<b>(18 090)</b>	<b>23 975</b>	<b>5 885</b>	<b>19 706</b>	<b>(37 795)</b>	<b>(18 090)</b>
<b>Deferred tax liabilities</b>						
Property and equipment	(5)	5		(17)	12	(5)
Other	513	(513)			513	513
<b>Total net deferred tax liabilities</b>	<b>508</b>	<b>(508)</b>		<b>(17)</b>	<b>525</b>	<b>508</b>
<b>Net deferred tax liabilities</b>	<b>508</b>	<b>(508)</b>		<b>(17)</b>	<b>525</b>	<b>508</b>
<b>Net deferred tax</b>	<b>(17 582)</b>	<b>23 467</b>	<b>5 885</b>	<b>19 689</b>	<b>(37 270)</b>	<b>(17 582)</b>
Charge through profit and loss		(25 298)			30 380	
Deferred tax on other comprehensive income		1 831			6 890	
		<b>(23 467)</b>			<b>37 270</b>	

# Notes to the consolidated annual financial statements for the year ended 30 June

## 20 Reinsurance assets

NS'000	2010	2009
Short term reinsurance contracts: unearned premiums	642	1 898
Life reinsurance contracts	49 438	285 046
<b>Total reinsurance contracts</b>	<b>50 080</b>	<b>286 944</b>

Information about the credit quality of the above balances is provided in the risk management note 40.

## 21 Non current assets held for sale

NS'000	2010	2009
<b>Land and buildings</b>		
Investment properties (reclassified in prior year)		4 070
Property and equipment (note 17) (reclassified in prior year)	753	753
<b>Total non current assets held for sale</b>	<b>753</b>	<b>4 823</b>

The group has publicly advertised the properties for sale since last year. The properties for sale consists of surplus office buildings. Negotiations are in progress for the sale of the property in Tsumeb. The sale of the Walvis Bay property included in the opening balance was concluded during the year. No impairment loss was recognised on the reclassification of the properties held for sale. The properties were part of the banking operations segment.

## 22 Deposits

### 22.1 Deposits and current accounts

NS'000	2010 At amortised cost	2009 At amortised cost
From customers	9 908 575	9 134 767
- Current accounts	7 346 552	6 414 424
- Savings accounts	318 915	416 453
- Term deposits	2 243 108	2 303 890
Other deposits		
- Negotiable certificates of deposit	2 137 294	1 465 913
<b>Total deposits and current accounts</b>	<b>12 045 869</b>	<b>10 600 680</b>
The fair values of deposits and current accounts are disclosed in note 36.		
<b>Geographical split:</b> Namibia	<b>12 045 869</b>	<b>10 600 680</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 22 Deposits (continued)

22.2 Due to banks and other financial institutions	2010	2009
N\$'000	At amortised cost	At amortised cost
To banks and financial institutions		
- In the normal course of business	54 346	22 731
<b>Fair value of balance disclosed</b>	<b>54 346</b>	<b>22 731</b>
<b>Geographical split:</b> Namibia	54 346	22 731

## 23 Creditors and accruals

N\$'000	2010	2009
Accounts payable and accrued liabilities	211 349	255 767
Items in transit	43 932	11 881
Preference dividends payable	42	2 670
Short term portion of long term liabilities (note 26)	6 127	6 127
Post retirement benefit liability lump sums due (note 25.1)		20 183
<b>Creditors and accruals</b>	<b>261 450</b>	<b>296 628</b>

The carrying value approximates the fair value.

## 24 Provision for unexpired claims

N\$'000	2010	2009
Opening balance	2 740	1 826
Charge to the statement of comprehensive income (note 5)	1 136	914
<b>Closing balance</b>	<b>3 876</b>	<b>2 740</b>

This provision is raised for possible claim incidents incurred before year-end but only reported there-after, related to the short term insurance industry.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 25 Employee benefits

### 25.1 Post-employment benefit liabilities

- The group has a liability to subsidise the post retirement medical expenditure of certain of its employees which constitutes a defined benefit plan. All employees who join the employ of the group on or after 1 December 1998 are not entitled to the post retirement medical aid subsidy.

The actuarial method used to value the liabilities is the project unit credit method prescribed by IAS 19 Employee Benefits. The liability is measured as the present value of the employers' share of continuation member contributions to the medical scheme. Continuing member contributions are projected into the future year using the assumption rate of health care cost inflation and are then discounted back using the discount rate. The group subsidises medical aid contributions for all eligible members at various rates.

Salary cost increases are expected to be in line with the inflation rate, whereas medical cost increases are expected to be 1.75% higher than the inflation rate.

- A severance pay provision was created in the current year in accordance with a recently issued recognition and measurement guidance on the severance payments to employees. This is in terms of the (new) Labour Act of 2007 and relates to when employment services are terminated by dismissal under certain circumstances or if they die while employed.

The severance pay liability is unfunded and is valued using the project unit credit method prescribed by IAS 19 Employee Benefits.

The actuarial valuations are done on an annual basis.

N\$'000	2010			2009
	Medical	Severance pay	Total	Medical
Present value of unfunded liabilities	28 455	3 156	31 611	21 239
Unrecognised actuarial (losses) / gains	(309)		(309)	432
Post-employment benefit liabilities	28 146	3 156	31 302	21 671

#### The amounts recognised in the statement of comprehensive income are as follows:

Current service cost	4 322	214	4 536	1 257
Past service cost		2 906	2 906	
Interest cost	2 389	296	2 685	3 885
Net actuarial gains recognised	759	(260)	499	264
Total included in staff costs (note 6)	7 470	3 156	10 626	5 406

#### Movement in post-employment liabilities

Present value at the beginning of the year	21 671		21 671	37 539
Amounts recognised in the profit and loss as above	7 470	3 156	10 626	5 406
Lump sum benefits paid (note 23)				(20 183)
Benefits paid	(995)		(995)	(1 091)
Present value at the end of the year	28 146	3 156	31 302	21 671
Expected amounts to be recognised in the statement of comprehensive income in following financial year	1 866	517	2 383	1 681

#### The principal actuarial assumptions used for accounting purposes were:

Discount rate (%)	9.04%	8.94%	11.25%
Expected rates of salary increases (%)	10.25%	7.44%	10.25%
Long term increase in medical subsidies (%)	8.02%		10.25%

The effects of a 1% movement in the assumed costs were as follows  
Increase of 1%

	Health costs	Salary cost	Health costs
Effect on the aggregate of the current service cost and interest cost	388	84	491
Effect on the defined benefit obligation	3 942	318	3 396
Decrease of 1%			
Effect on the aggregate of the current service cost and interest cost	313	72	380
Effect on the defined benefit obligation	3 193	279	2 691

# Notes to the consolidated annual financial statements for the year ended 30 June

## 25 Employee benefits (continued)

### 25.1 Post-employment benefit liabilities (continued)

N\$'000	2010		2009
	Medical	Severance pay	Medical
Mortality rate The average life expectancy in years of a pensioner retiring at age 60 on the reporting date is as follows:			
Male	20	20	18
Female	19	19	21
Employees covered	131	1 791	112

#### Five year analysis on post retirement medical plans (projected)

	N\$'000
As at 30 June 2011	30 209
As at 30 June 2012	32 075
As at 30 June 2013	34 087
As at 30 June 2014	36 278
As at 30 June 2015	38 684

### 25.2 Defined contribution pension fund

N\$'000	2010	2009
Employer contribution to pension fund	31 106	22 202
Employer contribution to pension fund - executive director	256	143
Total employer contributions to pension fund (note 6)	31 362	22 345
Employees contribution to pension fund	12 338	15 137
<b>Total contributions</b>	<b>43 700</b>	<b>37 482</b>
Number of employees covered	1 785	1 650

The group provides for retirement benefits by making payments to a pension fund, which is independent of the group and was registered in Namibia in 1995 in accordance with the requirements of the Pension Funds' Act. The fund is a defined contribution fund and is subject to the Pension Funds' Act (No 24 of 1956). The fund is valued every three years. The last valuation was performed for the year ended 30 June 2009 and indicated that the fund was in a sound financial position.

During the year, the group recognised the pension fund surplus attributable to the employer as approved by the Registrar of Pension Fund, amounting to N\$35 million. The surplus was utilised to fund the employer contributions to the pension fund.

The pension fund is a related party to the group.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 26 Long term liabilities

N\$'000	2010	2009
FNB 17 fixed rate notes	260 000	260 000
Accrued interest	5 957	5 997
	265 957	265 997
Fair value adjustment (financial liability elected fair value)	3 675	1 368
<b>Fair value</b>	<b>269 632</b>	<b>267 365</b>
Less: Portion payable within 12 months transferred to current liabilities (note 23)	(6 127)	(6 127)
	<b>263 505</b>	<b>261 238</b>
Fair value adjustment for the year	(2 307)	(25 748)

On 29 March 2007, First National Bank of Namibia Limited issued N\$260 million subordinated, unsecured callable notes, with a maturity date of 29 March 2017. The notes are callable by First National Bank of Namibia Limited on 29 March 2012. The coupon rate is fixed at 9.15% per annum, payable semi annually on 29 March and 29 September, until the optional redemption date 29 March 2012. Should the notes not be redeemed, then interest is payable thereafter at the floating rate of Namibian 3 months Treasury Bill rate + 1.5%.

These notes are listed on the Namibian Stock Exchange. The fair value is calculated based on quoted market prices.

An accounting mismatch would arise if the debt securities in issue were accounted for at amortised cost, because the related derivative, an interest rate swap, is measured at fair value with movements in the fair value taken through the statement of comprehensive income. By designating the long term debt at fair value, the movement in the fair value of the long term debt will be recorded in the statement of comprehensive income.

The fair value movement of the bond attributable to changes in credit risk is N\$ Nil (2009: N\$ Nil) for the group. The change in fair value of the designated financial liability attributable to changes in credit risk has been calculated by reference to the change in credit risk implicit in the market value of the bond.

The amount that would contractually be paid at maturity for financial liabilities designated at fair value through profit and loss for the group is N\$260 million (2009: N\$260 million), N\$ 3.7 million (2009: N\$1.4 million) lower than the carrying amount.

Refer to note 36, fair value of financial instruments for the methodologies used to determine the fair value of long term liabilities.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 27 Policyholder liabilities under insurance contracts

N\$'000	2010	2009
Balance at the beginning of the year	927 304	1 103 914
- Increase/ (decrease) in retrospective liabilities	38 040	(72 720)
- Unwind of discount rate	23 802	8 463
- New business	35 400	12 861
- Change in economic assumptions	(5 913)	6 545
- Expected cash flows	(56 113)	(37 055)
- Expected release of margins	(61 850)	(46 709)
- Expected variances	50	(4 573)
Premiums received on insurance contracts	182 710	142 784
Policyholder benefits on insurance contracts	(107 961)	(90 362)
Fair value adjustments on insurance contracts	27 915	(64 674)
Reinsurance (net)	(1 376)	(103 890)
<b>Balance at the end of the year</b>	<b>963 968</b>	<b>927 304</b>
Insurance contracts with discretionary participation features	488 470	396 311
Insurance contracts without discretionary participation features	426 060	245 947
<b>Net policyholder liabilities under insurance contracts</b>	<b>914 530</b>	<b>642 258</b>
<i>Actuarial liabilities under unmaturing policies comprise the following:</i>		
Linked (market related) business - Individual life	116 145	91 843
Smoothed bonus business - Individual life	398 735	371 867
Annuities business	310 026	109 826
Life business		
- Individual life	89 624	68 722
	<b>914 530</b>	<b>642 258</b>

The amounts above are based on the actuarial valuations of Momentum Life Assurance Namibia Limited at 30 June 2010. Below are the main assumptions that were used in determining the liabilities in respect of insurance contracts as at 30 June 2010.

### Best estimate valuation assumptions

#### Economic assumptions

##### Risk-free return

The ten-year zero-coupon risk-free yield, derived from S.A. government bonds, is used as the starting point to determine the gross valuation interest rate for Namibian Dollar (NAD) denominated business.

ZAR ten-year zero-coupon risk-free yield	8.94%	8.93%
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##### Valuation interest rate

The gross valuation interest rate of 10.5% (2009: 10.5%) per annum for NAD denominated business was calculated as a weighted investment return, representing the investment returns on a theoretical, balanced notional portfolio consisting of equities and bonds.

##### Notional portfolio used as at 30 June:

- Equities	60%	60%
- Government bonds	40%	40%

##### Assumed performance of other asset classes relative to government bonds:

- Equities (including overseas equities)	+3.5% p.a	+3.5% p.a
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Rounding to the nearest 0,25% was performed.

##### Inflation

An expense inflation rate of 6.56% (2009: 6.8%) per annum for NAD denominated business was used to project future renewal expenses. The NAD inflation rate was derived by deducting the 10-year real return on CPI-linked R197 government bonds of 2.98% (2009: 2.95%) from the risk-free rate.



# Notes to the consolidated annual financial statements for the year ended 30 June

## 27 Policyholder liabilities under insurance contracts (continued)

### Tax

To provide for tax, the gross valuation interest rate expected to be earned in future was reduced appropriately for taxable business and retirement annuity business. These reductions in the investment return represent the expected tax payable on the assumed investment return on the notional policyholders' portfolio.

### Mortality, morbidity and terminations

Demographic assumptions, such as those in respect of future mortality, disability and persistency rates are set based by calibrating standard tables to internal experience investigations. The investigations are performed and assumptions set for individual product lines, but ensuring that assumptions are consistent where experience is not expected to deviate between product lines.

Assumptions in respect of mortality, morbidity and terminations were based on experience investigations performed in July 2010. The investigations covered a period of five years, from 2004 to 2009. The experience on policies and annuities were analysed.

Mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of Aids and for expected improvements in mortality rates in the case of annuity business. Allowance for AIDS was made according to professional guidance notes PGN 102 (Mar 1995): Life Offices - HIV/AIDS and PGN 105 (Mar 2007): Recommended AIDS extra mortality bases, issued by the Actuarial Society of South Africa.

### Expenses

The sustainable annual renewal expense per policy was based on an analysis of budgeted expenses for the year ending 30 June 2010. The allocation distinguished between renewal and acquisition costs.

Expenses expected to be once-off in nature or not relating to long-term insurance business were removed from the actual expenses.

Asset management expenses were expressed as an annual percentage of assets under management.

### Policyholder bonuses

Future additions of discretionary bonuses to smoothed bonus (universal life) policies have been projected at levels that are consistent with and supported by the assumed rate of investment return, after allowing for contractual expense charges and tax.

On conventional policies, it is assumed that current bonus rates (both reversionary and terminal bonus rates) will be maintained in future.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 27 Policyholder liabilities under insurance contracts (continued)

NS'000

### Compulsory margins

The compulsory margins to best-estimate assumptions are detailed in actuarial professional guidance note PGN104 and are intended to provide a minimum level of financial resilience in the liabilities to ensure that profits are not recognised prematurely. The following prescribed margins were applied to the best estimate assumptions applicable to individual life business:

Assumption	Margin
- Mortality	7.5% - increase to assumption for assurance
- Morbidity	10% - increase to best-estimate assumption
- Medical	15% - increase to best-estimate assumption
- Lapses	25% (e.g. if best estimate is 10%, the margin is 2.5%) - increase or decrease, depending on which alternative increases liabilities
- Surrenders	10% - increase or decrease, depending on which alternative increases liabilities
- Terminations for disability	10% - decrease to best-estimate assumption
- Income benefits in payment	10% - decrease to best-estimate assumption
- Expenses	10% - increase to best-estimate assumption
- Expense inflation	10% (of estimated escalation rate) - increase to best-estimate assumption
- Charge against investment return	- 25 basis points reduction in the management fee or an equivalent asset-based or investment performance-based margin;  - 25 basis points reduction in the assumed rate of future investment return on contracts that do not have an asset-based or investment performance-based fee

### Discretionary margins

As described in the accounting policies, discretionary margins are used to prevent the premature capitalisation of profit. The specific discretionary margins that are added to the best-estimate assumptions are as follows:

An additional HIV/AIDS reserve equal to 15% of mortality reserves are held to protect against an unanticipated worsening of mortality experience due HIV/AIDS experience.

An additional data reserve equal to 15% of the value of the investment units held by policyholders are held to protect against possible losses due to data discrepancies.

An investment stabilisation reserve is held for protection against negative movements in the market. Its level remained unchanged over the valuation period.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 28 Policyholder liabilities under investment contracts

N\$'000	2010	2009
Balance at the beginning of the year	36 066	38 302
Fair value adjustment to policyholder liabilities under investment contracts	(2 525)	(11 438)
Deposits received on investment contracts	17 655	11 000
Withdrawals on investment contracts	(3 547)	(1 615)
Fees on investment contracts	(3 818)	(183)
<b>Balance at the end of the year</b>	<b>43 831</b>	<b>36 066</b>
Investment contracts with discretionary participation features	43 831	36 066
<b>Total policyholder liabilities under investment contracts</b>	<b>43 831</b>	<b>36 066</b>

	2010		
	Total	Shorter than 1 year	Between 1 and 5 years
Linked (market related) business			
- Individual life	27 658	2 957	24 701
Smoothed bonus business			
- Individual life	16 173	3 928	12 245
Total policyholder liabilities under investment contracts	43 831	6 885	36 946

	2009		
	Total	Shorter than 1 year	Between 1 and 5 years
Linked (market related) business			
- Individual life	20 726	2 554	18 172
Smoothed bonus business			
- Individual life	15 340	3 740	11 600
Total policyholder liabilities under investment contracts	36 066	6 294	29 772

# Notes to the consolidated annual financial statements for the year ended 30 June

## 29 Share capital and share premium

N\$'000	2010	2009
<b>Authorised</b>		
990 000 000 (2009: 990 000 000) ordinary shares with a par value of 0.5 cents per share	4 950	4 950
10 000 000 (2009: 10 000 000) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share	50	50
	<u>5 000</u>	<u>5 000</u>
<b>Issued</b>		
267 593 250 (2009: 267 593 250) ordinary shares with a par value of 0.5 cents per share	1 338	1 338
2 (2009: 2) cumulative convertible redeemable preference shares with a par value of 0.5 cents per share		
<b>Elimination</b>		
-shares held by FNB Namibia share trusts	(47)	(47)
	<u>1 291</u>	<u>1 291</u>
Term of preference shares: redeemable at 31 days notice by either party. The dividend rights in terms of the agreement with the shareholder are based on the actual profits made, per agreed adjustments, of a portion of the short-term insurance business.		
<b>Share premium</b>	191 695	195 066

A detailed reconciliation of the movements in the share capital and premium balances is set out in the statement of changes in equity. The unissued ordinary and preference shares are under the control of the directors until the next annual general meeting.

All issued shares are fully paid up.

## 30 Other reserves

N\$'000	2010	2009
OUTsurance Insurance Company of Namibia Ltd - Contingency reserve	4 057	2 446
	<u>4 057</u>	<u>2 446</u>

A detailed reconciliation of the movements in the respective reserve balances is set out in the statement of changes in equity.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 31 Remuneration schemes

	2010	2009
<b>The statement of comprehensive income charge for share-based payments is as follows:</b>		
FNB Share Incentive Trust	2 083	1 641
BEE Staff Incentive Scheme	65	159
<b>Total of share trusts</b>	<b>2 148</b>	<b>1 800</b>
Employees with FirstRand share options and share appreciation rights	1 293	237
<b>Charge against staff costs (note 6)</b>	<b>3 441</b>	<b>2 037</b>
BEE consortium share option cost (note 6)	1 199	1 220
<b>Charge to statement of comprehensive income</b>	<b>4 640</b>	<b>3 257</b>

### Share option schemes

FNB Namibia Holdings Ltd options are equity settled, except for the FirstRand Limited share appreciation scheme which is cash settled. The following is a summary of the share incentive schemes:

#### FNB and FirstRand Share Incentive Scheme

The purpose of this scheme is to provide a facility to employees of the FNB Namibia Holdings Group to acquire shares in FNB Namibia Holdings Limited. The primary purpose of this scheme is to appropriately attract, incentivise and retain employees within the FNB Namibia Holdings Group. For options allocated, delivery may only be taken by the participant 3, 4 and 5 years after the option is exercised at a rate of 33.3% per annum.

The group does not have an exposure to market movement on its own shares as all options are hedged through a share incentive trust that houses the shares until the options are exercised or expires.

#### BEE Share Incentive Scheme

The group is firmly committed to the process of achieving transformation in Namibia. The group specifically wishes to ensure that the long-term benefits of the BEE transaction reach the widest possible community of black Namibians.

FirstRand Bank Holdings Ltd made available 13 379 663 shares, representing 5% of its investment in FNB Namibia Holdings Ltd at the time, to a BEE transaction. Of this total number, 4% was allocated to BEE partners and 1% was allocated to black employees and black non-executive directors. The 1% allocation to staff includes a number of shares to be put separately into a trust of which the dividend income is to support educational needs of such staff members and their family members. The rest of the 1% allocation is used, through a trust, to allocate options to staff members. Funding is at 80% of prime and 100% of dividends received are used to service funding costs. The funding is repayable in 10 years.

#### Vesting conditions as follows:

Black staff and black non-executive directors:

- 50% after year 3 and 25% per year in years 4 and 5 respectively.

BEE Partners:

- Upon meeting certain performance criteria, share options will vest 1/5th every year over a minimum period of 5 years. The third tranche vested and was exercised during the prior year.

#### Valuation methodology

##### Share incentive scheme

Fair values for the share incentive schemes, are calculated at the date of grant using a modification of the Cox-Rubenstein binomial model. For valuation purposes, each call option granted has been valued as a Bermudan call option with a number of exercise dates.

The days on which the options can be exercised has been assumed to be the last day that the share trade cum-dividend.

#### Market data consists of the following:

• Volatility is the expected volatility over the period of the option. In the absence of other available date, historical volatility can be used as a proxy for expected volatility.

• The interest rate is the risk-free rate of return, recorded on the date of the option grant, on a South African government zero coupon bond of a term equal to the expected life of the option.

#### Dividend data of the following:

- The last dividend paid is the N\$ amount of the last dividend before the options were granted;
- The last dividend date is the ex-date of the last dividend; and
- The annual expected dividend growth, which is based on publicly available information.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 31 Remuneration schemes (continued)

### Employee statistic assumptions:

- Annual employee turnover is the average annual rate that employees participating in the option scheme are expected to leave before the options have vested.

The number of iterations is the number to be used in the binomial model, which is limited to 500.

The weighted average number of forfeitures is based on the major grants because these grants have a more reliable cancellation or forfeiture pattern.

### The significant weighted average assumptions used to estimate the fair value of options granted and the IFRS 2 expenses for the year under review are:

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2010	2009	2010	2009
Weighted average share price (N\$)	517 - 1180	400 - 1155	700	700
Expected volatility (%)	4 - 17	4 - 17	7	7
Expected option life (years)	5	5	5	5
Expected risk free rate (%)	7.05 - 9.47	8.89 - 14.46	9	9

	FNB Share Incentive Trust		BEE Staff Incentive Scheme	
	2010	2009	2010	2009
Share option schemes				
Number of options in force at the beginning of the year ('000)	7 726	4 541	566	1 239
Granted at prices ranging between (cents)	517 - 1155	517 - 823		517
Number of options granted during the year ('000)	2 829	3 751		
Granted at prices ranging between (cents)	1180	1155		
Number of options exercised/released during the year ('000)	(586)	(447)	(407)	(554)
Market value range at the date of exercise/release (cents)	1180	1180	1180	1180
Number of options cancelled/lapse during the year ('000)	(172)	(119)		(119)
Granted at prices ranging between (cents)	517 - 1180	517 - 1155		
Number of options in force at the end of the year ('000)	9 797	7 726	159	566
Granted at prices ranging between (cents)	517 - 1180	517 - 1155	517	517
Options are exercisable over the following periods: (first date able to release)				
Financial year 2010		967		566
Financial year 2011	1 533	1 166	159	
Financial year 2012	2 351	2 413		
Financial year 2013	2 815	1 934		
Financial year 2014	2 155	1 246		
Financial year 2015	943			
<b>Total</b>	<b>9 797</b>	<b>7 726</b>	<b>159</b>	<b>566</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 32 Cash flow information

N\$'000	2010	2009
<b>32.1 Reconciliation of operating profit before tax to cash flow from operating activities</b>		
<b>Profit before tax</b>	666 744	551 348
Adjusted for:		
- Share of earnings of associate companies after impairment losses	(5 189)	(1 872)
- Amortisation of intangibles	36 092	12 240
- Depreciation of property and equipment	22 527	15 121
- Transfer from revaluation reserve: available-for-sale financial asset	(42)	(1 842)
- Unrealised profits on revaluation of investments	(57 044)	94 085
- Transfer of work in progress to repairs and maintenance	5 502	4 982
- Share-based payment expenses	4 640	3 257
- Impairment losses of advances	12 960	38 412
- Provision for post-employment benefit obligations	9 631	4 571
- Other employment accruals	1 042	7 842
- Creation and revaluation of derivative financial instruments	15 757	(39 243)
- Policyholders fund and insurance fund transfers	37 707	(83 006)
- Fair value adjustment to financial liabilities	2 307	25 748
- Non cash flow movements in interest accrual on financial liabilities	40	13
- Unwinding of discounted present value on non-performing loan	(9 992)	(21 140)
- Unwinding of discounted present value on off-market loans	(5 967)	(6 594)
- Net release of deferred fee and expenses	(7 430)	(6 842)
- Off-market staff loans amortisation	5 967	6 594
- Profit on sale of property and equipment	(1 296)	(84)
- Indirect tax	19 600	12 503
<b>Cash flows from operating activities</b>	<b>753 556</b>	<b>616 093</b>
<b>32.2 Tax paid</b>		
Amounts payable at beginning of the year	(4 994)	16 266
Indirect tax	(19 600)	(12 503)
Current tax charge	(233 147)	(154 209)
Amounts payable at end of the year	32 001	4 994
<b>Total tax paid</b>	<b>(225 740)</b>	<b>(145 452)</b>
<b>32.3 Capital expenses to maintain operations</b>		
Purchase of property and equipment, settled in cash	(59 157)	(69 138)

# Notes to the consolidated annual financial statements for the year ended 30 June

## 32 Cash flow information (continued)

NS'000	2010	2009
<b>32.4 Net reduction / (increase) in investment in associates</b>		
<b>FNB Insurance Brokers (Namibia) (Pty) Ltd ("FNBIBN")</b>		
The group made an additional contribution to maintain its 40% interest in FNBIBN, during the current year.	(2 274)	
During the previous year, the group acquired a 40% interest in FNBIBN.		(15 428)
<b>Namclear (Pty) Ltd</b>		
Namclear (Pty) Ltd reduced its share premium during the year, and paid out to all its shareholders. The group's shareholding remained 25%.	3 000	
<b>Net cash received / (paid) from investment in associates</b>	<u>726</u>	<u>(15 428)</u>
<b>32.5 Sale of shares in subsidiary</b>		
<b>Momentum Life Assurance Namibia Limited</b>		
The group sold an additional 14% interest in Momentum Life Assurance Namibia Limited to Momentum Group Limited on 30 September 2009. The group's shareholding is now 51%.	76 339	
<b>32.6 Dividends paid</b>		
Dividends approved and recognised in the group statement of changes in equity.	(152 502)	(181 558)



# Notes to the consolidated annual financial statements for the year ended 30 June

## 33 Contingent liabilities and capital commitments

NS'000	2010	2009
<b>Contingencies</b>		
Guarantees *	654 104	647 729
Letters of credit	33 959	67 379
Total contingencies	688 063	715 108
Irrevocable unutilised facilities	311 754	224 497
Total contingencies and commitments	999 817	939 605

\* Guarantees consist predominantly of endorsements and performance guarantees. The fair value of guarantees approximate the face value as disclosed. Irrevocable facilities were restated for 2009 as the internal definition was refined to exclude facilities that the group can terminate by written notice.

### Legal proceedings

There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material, either on an individual or group basis.

Provision is made for all liabilities which are expected to materialise.

### Commitments:

Commitments in respect of capital expenditure and long-term investments approved by directors:

- Contracted for	10 871	30 160
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### Made up of the following:

- Capital commitments contracted for at the reporting date but not yet incurred are as follows:		
- Property and equipment	10 871	30 160

Funds to meet these commitments will be provided from group resources.

### Group leasing arrangements:

	2010		2009	
	Next year	2nd to 5th year	Next year	2nd to 5th year
Office premises	13 262	18 838	8 696	13 484
Equipment	60	8	1 086	164
	13 322	18 846	9 782	13 648

Notice periods on operating lease contracts are between 3-6 months, no operating lease contract is fixed and escalation clauses range between 7% and 10% (2009: 7% and 10%).

The group has various operating lease agreements, which may or may not contain renewal options. The lease terms do not contain restrictions on the group's activities concerning dividends, additional funding or further leasing.

There were no commitments under operating leases after 5 years.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 34 Collateral pledged and assets held

N\$'000	2010	2009
<b>The group has pledged assets as security for the following liabilities:</b>		
Due to banks and other financial institutions		
- Repo facility at Bank of Namibia		1 598
<b>Total</b>		<b>1 598</b>

The group pledges assets under the following terms and conditions:

Mandatory reserve deposits are also held with the Central Bank in accordance with statutory requirements. These deposits are not available to finance the banking group's day-to-day operations.

Collateral in the form of other investment securities is pledged when the banking group utilises the Bank of Namibia credit facility. These transactions are conducted under the terms and conditions that are usual and customary to standard credit facilities with central banks.

N\$'000	2010	2009
<b>Assets pledged to secure the above liabilities are carried at and included under the following:</b>		
Investment securities		
- Treasury bills		1 775
<b>Total</b>		<b>1 775</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 35 Related parties

The group defines related parties as :

- The parent company
- Subsidiary companies
- Associate companies
- Key management personnel of the FNB Namibia Holdings Ltd and its subsidiaries board of directors and the group executive committee.
- *Key management personnel includes close family members of key management personnel. Close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the group. This may include the individual's spouse/domestic partner and children, domestic partner's children and dependants of individual or domestic partner.*
- Enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies.

FNB Namibia Holdings Limited is listed on the Namibian Stock Exchange and is 59.4% (2009: 59.8%) owned by FirstRand Bank Holdings Limited, with its ultimate holding company FirstRand Limited, which is incorporated in South Africa, listed on the JSE Limited and on the NSX.

### 35.1 Subsidiaries

Details of interest in subsidiaries are disclosed in note 35.6.

### 35.2 Associates

Details of investments in associate companies are disclosed in note 16.

### 35.3 Details of transactions with relevant related parties appear below:

N\$'000	FirstRand Bank Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
	2010	2009	2010	2009	2010	2009
<b>Loans and advances</b>						
Balance 1 July	104 372	749 763				
Issued during year	711 845					
Repayments during year		(645 391)				
Balance 30 June	816 217	104 372				
<b>Derivative instrument: assets</b>	11 146	2 393				
<b>Deposits</b>						
Balance 1 July	(19 386)	(35 945)	(23 867)	(23 867)	(19 440)	(13 031)
Received during year	(33 110)		(9 082)			(6 409)
Repaid during year		16 559			8 285	
Balance 30 June	(52 496)	(19 386)	(32 949)	(23 867)	(11 155)	(19 440)
<b>Derivative instrument: liabilities</b>	(40 884)	(82 862)				
<b>Interest received</b>	74 425	39 222				
<b>Interest paid</b>			(1 223)	(764)	(441)	(737)
<b>Dividends paid</b>	(94 096)	(89 827)				

# Notes to the consolidated annual financial statements for the year ended 30 June

## 35 Related parties (continued)

### 35.3 Details of transactions with relevant related parties appear below (continued):

	Total		FirstRand Bank Ltd		Momentum Group Ltd		FNB Insurance Brokers (Namibia) (Pty) Ltd		Namclear (Pty) Ltd	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
<b>Non interest income</b>										
Commission	2 510	3 752	2 385	3 340			125	412		
FNB Card reward		5 787		5 787						
Rental income	670	603							670	603
	3 180	10 142	2 385	9 127			125	412	670	603
<b>Non interest expenditure</b>										
Reinsurance premium	17 339	16 628			17 339	16 628				
Computer and processing related costs	60 491	47 792	60 491	47 792						
Internal audit and compliance	1 273	899	1 273	899						
Insurance	4 695	2 095	4 695	2 095						
ATM processing costs	1 996	671	1 996	671						
Payroll processing	1 382	1 005	1 382	1 005						
Management fees	5 981	4 451	4 295	3 681	1 686	770				
Administration fee: OUTsurance SA	9 566	9 103	9 566	9 103						
Other sundry	3 985	4 549	3 985	4 549						
Clearing cost	5 939	5 909							5 939	5 909
	112 647	93 102	87 683	69 795	19 025	17 398			5 939	5 909

# Notes to the consolidated annual financial statements for the year ended 30 June

## 35 Related parties (continued)

### 35.4 Transactions with key management personnel:

NS'000	2010	2009
<b>Advances</b>		
Balance 1 July	45 524	35 933
Issued during year	9 793	26 677
Repayments during year	(16 760)	(21 603)
Interest earned	3 840	4 517
Balance 30 June	42 397	45 524
No impairment has been recognised for loans granted to key management (2009: nil). Mortgage loans are repayable monthly over 20 years.		
<b>Current and credit card accounts</b>		
Credit balance 1 July	(8 689)	(3 534)
Net deposits and withdrawals	(4 077)	(6 823)
Net service fees and bank charges	1 418	1 827
Interest income	449	397
Interest expense	(385)	(556)
Balance 30 June	(11 284)	(8 689)
<b>Instalment finance</b>		
Balance 1 July	3 600	2 508
Issued during year	3 377	1 393
Repayments during year	(3 879)	( 415)
Interest earned	578	114
Balance 30 June	3 676	3 600
<b>Life and disability insurance</b>		
Aggregate insured cover	6 352	5 475
Premiums received	64	50
<b>Investment products</b>		
Opening balance	3 055	376
Deposits	18 601	2 718
Net investment return	2 816	33
Commission and other transaction fees	(2)	(72)
Fund closing balance	24 470	3 055
<b>Shares and share options held</b>		
Directors holding in shares is disclosed in note 6.		
<b>Aggregate details</b>		
Share options held	2 856	2 704
<b>Key management compensation</b>		
Salaries and other short-term benefits	16 899	19 598
Contribution to defined contribution schemes	2 165	1 533
Share-based payments	1 038	1 162
Total compensation	20 102	22 293

A listing of the board of directors of the group is detailed on page 4 of the annual report.

### 35.5 Post-employment benefit plans

Refer to note 25.1 on detailed disclosure of the movement on the post-employment benefit liability. The pension fund is a related party to the group, refer note 25.2.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 35 Related parties (continued)

### 35.6 Details of subsidiaries

Significant subsidiaries	Nature of business	Date of acquisition	Country of incorporation	Number of shares	Effective holding %	
					2010	2009
All subsidiaries are unlisted. The year end of all the subsidiaries is 30 June.						
<b>Banking operations:</b>						
First National Bank of Namibia Ltd	Commercial bank	1 June 2003	Namibia	1 200 of N\$1 each	100	100
Swabou Investments (Pty) Ltd	Home loan investment company	1 July 2003	Namibia	2 of N\$0.05 each	100	100
<b>Insurance operations:</b>						
Momentum Life Assurance Namibia Ltd**	Life assurance company	1 July 2003	Namibia	10 000 000 of N\$1 each	51	65
OUTsurance Insurance Company of Namibia Ltd	Short-term insurance	1 July 2003	Namibia	4 000 000 of N\$1 each	51	51
<b>Other:</b>						
First National Asset Management & Trust Company of Namibia (Pty) Ltd	Estate and trust services	1 October 1996	Namibia	200 of N\$1 each	100	100
FNB Namibia Unit Trusts Ltd	Unit trusts company	1 January 2006	Namibia	4 000 000 of N\$1 each	100	100
Talas Properties (Windhoek) (Pty) Ltd	Property company	31 March 1988	Namibia	100 of N\$1 each	100	100

N\$'000	Aggregate income of subsidiaries (before tax)		Total investment (Total Indebtedness)	
	2010	2009	2010	2009
First National Bank of Namibia Ltd	507 442	432 697	1 142 792	1 142 792
Swabou Investments (Pty) Ltd	63 769	67 841		
Momentum Life Assurance Namibia Ltd**	61 707	40 701	79 276	101 038
OUTsurance Insurance Company of Namibia Ltd	11 571	2 127	6 298	6 298
First National Asset Management and Trust Company of Namibia (Pty) Ltd	1 671	900		
FNB Namibia Unit Trusts Ltd	3 522	2 082	5 475	5 475
Talas Properties (Windhoek) (Pty) Ltd	13 799	23 559	2 967	2 967
	<b>663 481</b>	<b>569 907</b>	<b>1 236 808</b>	<b>1 258 570</b>

\*\* Swabou Life Assurance Company Ltd changed its name to Momentum Life Assurance Namibia Limited during the year under review.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 36 Fair value of financial instruments

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a market transaction between knowledgeable, willing parties. When determining fair value it is presumed that the entity is a going concern and is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

When determining the fair value of a financial instrument, preference is given to prices quoted in an active market. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

If a particular instrument is not traded in an active market the group uses a valuation technique to determine the fair value of the financial instrument. The valuation techniques employed by the group include, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

The objective of using a valuation technique is to determine what the transaction price would have been at the measurement date. Therefore maximum use is made of inputs that are observable in the market and entity-specific inputs are only used when there is no market information available. All valuation techniques take into account the relevant factors that other market participants would have considered in setting a price for the financial instrument and are consistent with accepted methodologies for pricing financial instruments.

The group classifies instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used. The group's fair value hierarchy has the following levels:

*Level 1* - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* - Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

*Level 3* - Fair value is determined using a valuation technique and inputs that are not based on observable market data (i.e. unobservable inputs).

The specific valuation methodologies/techniques, per significant instrument type, can be summarised as follows:

### *Investments securities*

#### *Unlisted equities*

The fair value of unlisted equities is determined using a price earnings (P/E) model.

The earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued and the relevance and reliability of the available information.

The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions which have taken place.

#### *Negotiable certificates of deposit*

Where market prices are not available for a specific instrument fair value is determined using discounted cash flow techniques. Inputs to these models include as far as possible information which is consistent with similar market quoted instruments.

#### *Treasury Bills*

Treasury bills are valued by means of the Bond Exchange of South Africa ("BESA") bond pricing model using Namibian money market dealers closing mark to market bond yield.

#### *Government, public and utility stocks*

Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

#### *Other dated securities*

Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 36 Fair value of financial instruments (continued)

### *Derivatives*

Contracts for difference are valued by using the differential between the market price and the traded price multiplied by the notional amount.

Market prices are obtained from applicable trading exchanges.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Swaps are valued by discounting the expected cash flows using discount and forward rates determined from similar market traded instruments. The reset rate of each swaption is determined in terms of legal documents pertaining to the swap.

### *Deposits and current accounts*

Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account as these are considered to have an immaterial impact on the economic value of the instruments.

Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments.

Fair valuation will only be applied to deposits having a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal the amortised cost.

### *Loans and advances to customers*

The fair value of advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for the credit spreads where necessary.

Projected cash flows, taking into account behaviour, loss given default and probability of default are grouped according to their maturity dates.

The discount rate for fixed interest rate instruments is adjusted by an appropriate risk premium while floating rate cash flows are discounted by means of a yield curve which represents the projected cash flows.

### *Long term liabilities*

Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates.

The fair value of subordinated notes and fixed and floating rate bonds are determined by discounting the future cash flows at market related interest rates.



# Notes to the consolidated annual financial statements for the year ended 30 June

## 36 Fair value of financial instruments (continued)

The following table presents the financial instruments recognised at fair value in the statement of financial position of the group.

NS'000	Level 1	Level 2	Level 3	2010 Total
<b>Assets</b>				
<b>Available-for-sale financial assets</b>				
Investment securities (note 14)	11 591	1 153 725		1 165 316
<b>Financial assets designated at fair value through profit or loss</b>				
Investment securities (note 14)	1 257	58 752		60 009
<b>Financial assets held for trading</b>				
Derivative financial instruments (note 11)		57 119		57 119
Investment securities (note 14)	540 762	498 256		1 039 018
<b>Total financial assets</b>	<b>553 610</b>	<b>1 767 852</b>		<b>2 321 462</b>
<b>Liabilities</b>				
<b>Financial liabilities designated at fair value through profit or loss</b>				
Long term liabilities (note 26)		263 505		263 505
Long term liabilities (current portion) (note 26)		6 127		6 127
Policyholder liabilities under investment contracts (note 28)		36 466	7 365	43 831
<b>Financial liabilities held for trading</b>				
Derivative financial instruments (note 11)		58 019		58 019
<b>Total financial liabilities</b>		<b>364 117</b>	<b>7 365</b>	<b>371 482</b>

During the reporting period ending 30 June 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 36 Fair value of financial instruments (continued)

### Changes in level 3 fair value instruments

The group classifies financial instruments in Level 3 of the fair value hierarchy when the significant inputs into the valuation model are not observable. In addition, the valuation model for Level 3 financial instruments typically also relies on a number of inputs that are readily observable, either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

N\$'000	Fair value on June 2009	Gains or losses recognised in profit and loss	Purchases, Sales, Issues and Settlements	Fair value on June 2010
<b>Liabilities</b>				
Policyholder liabilities under investment contracts	4 384	2 981		7 365
<b>Total financial liabilities classified at level 3</b>	<b>4 384</b>	<b>2 981</b>		<b>7 365</b>

Changes in the group's best estimate of the non-observable inputs (Level 3) could affect the reported fair values recognised on the statement of financial position and the movement in fair values recognised in the statement of comprehensive income. However, changing these inputs to reasonably possible alternatives would change the fair value using more positive reasonable assumptions to N\$5 342 and using more negative reasonable possible assumptions to N\$9 463. These amounts are based on the assumptions without first tier margins and additional first tier margins respectively.

The table below presents the total gains (losses) relating to financial instrument classified in Level 3 that are still held on 30 June. With the exception of interest on funding instruments all of these gains or losses are recognised in non interest income.

N\$'000	Gains or losses recognised in profit and loss	Gains or losses recognised in other comprehensive income	Total gains or loss
<b>Liabilities</b>			
Policyholder liabilities under investment contracts	2 981		2 981
<b>Total financial liabilities classified at level 3</b>	<b>2 981</b>		<b>2 981</b>

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position.

For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

N\$'000	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
<b>Assets</b>				
Total advances at amortised cost (note 12)	11 226 660	11 380 538	10 486 434	10 488 409
Total investments at amortised cost (note 14)	535 316	536 321	336 742	337 149
<b>Total financial assets at amortised cost</b>	<b>11 761 976</b>	<b>11 916 859</b>	<b>10 823 176</b>	<b>10 825 558</b>
<b>Liabilities</b>				
Total deposits and current accounts at amortised cost (note 22)	12 045 869	11 289 748	10 600 680	10 590 368
<b>Total financial liabilities at amortised cost</b>	<b>12 045 869</b>	<b>11 289 748</b>	<b>10 600 680</b>	<b>10 590 368</b>

# Notes to the consolidated annual financial statements for the year ended 30 June

## 37 Segment information

### 37.1 Reportable segments

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The table below sets out the group's various operating segments and the details of the various products and services provided by each of the reportable segments.

Primary segments (business)	Brands	Description	Product and services
Banking operations	First National Bank WesBank	Corporate and retail banking Motor vehicle and instalment finance	Comprehensive banking packages for individuals and corporate
Long term insurance	Momentum	Provides long term risk and investment products	Life insurance, investment products
Short term insurance	OUTsurance	Short term insurance	Short term insurance

In terms of IFRS 8 a customer is regarded as a major customer, if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

The segmental analysis is based on the management accounts for the respective segments. The management accounts are prepared in terms of IFRS measurement and recognition principles.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported for the group in terms of IFRS, the operations that don't qualify as separate segments are reported in the other column. All consolidation adjustments have also been recorded in this column.

### Geographical segments

The group operates within the borders of Namibia and no segment operations are outside Namibia.

# Notes to the consolidated annual financial statements for the year ended 30 June

## 37 Segment information (continued)

### 37.2 Reportable segments (continued)

#### Statement of comprehensive income for the year ended 30 June

N\$'000	Group	
	2010	2009
<b>Net interest income</b>	808 224	743 217
Net interest income - external	808 224	743 217
Net interest income - internal		
Impairment losses of advances	(12 960)	(38 412)
<b>Net interest income after impairment of advances</b>	795 264	704 805
Non interest income	644 414	433 434
Net insurance premium income	225 100	184 761
Net claims and benefits paid	(142 717)	(125 377)
Fair value adjustment to financial liabilities	(2 307)	(25 748)
(Increase) / decrease in value of policyholder liabilities: insurance contracts	(38 040)	72 720
Fair value adjustment of policyholder liabilities: investment contracts	2 525	11 438
<b>Income from operations</b>	1 484 239	1 256 033
Operating expenses	(803 084)	(694 054)
<b>Net income from operations</b>	681 155	561 979
Share of profit from associates	5 189	1 872
<b>Income before tax</b>	686 344	563 851
Indirect tax	(19 600)	(12 503)
<b>Profit before tax</b>	666 744	551 348
Direct tax	(207 849)	(184 589)
<b>Profit for the year</b>	458 895	366 759
<b>Other comprehensive income</b>		
Net gain on available-for-sale financial assets	7 672	16 307
Income tax effect on other comprehensive income	(1 831)	(6 890)
<b>Other comprehensive income for the year</b>	5 841	9 417
<b>Total comprehensive income for the year</b>	464 736	376 176
<b>Attributable to:</b>		
Non cumulative non redeemable preference shareholders		315
Ordinary shareholders	429 278	354 165
Equity holders of the parent	429 278	354 480
Non-controlling interests	29 617	12 279
<b>Profit for the year</b>	458 895	366 759
<b>Attributable to:</b>		
Non cumulative non redeemable preference shareholders		315
Ordinary shareholders	435 119	363 582
Equity holders of the parent	435 119	363 897
Non-controlling interests	29 617	12 279
<b>Total comprehensive income for the year</b>	464 736	376 176
<b>Headline earnings (note 8)</b>	428 395	352 912
<b>Other information</b>		
Depreciation and amortisation	(58 619)	(27 361)
Rental income		
Rental expense		
Capital expenditure	92 663	73 219

# Notes to the consolidated annual financial statements

## for the year ended 30 June

Banking operations		Long term insurance		Short term insurance		Other	
2010	2009	2010	2009	2010	2009	2010	2009
760 043	695 124	50 592	51 116	1 963	2 037	(4 374)	(5 060)
778 195	710 552	30 029	32 665				
(18 152)	(15 428)	20 563	18 451	1 963	2 037	(4 374)	(5 060)
(12 960)	(38 412)						
747 083	656 712	50 592	51 116	1 963	2 037	(4 374)	(5 060)
553 564	490 746	70 104	(73 396)	5 290	5 628	15 456	10 456
		168 874	144 781	56 226	39 980		
		(104 415)	(96 168)	(38 302)	(29 209)		
(2 307)	(25 748)	(38 040)	72 720				
		2 525	11 438				
1 298 340	1 121 710	149 640	110 491	25 177	18 436	11 082	5 396
(725 501)	(626 603)	(84 381)	(68 504)	(13 606)	(15 607)	20 404	16 660
572 839	495 107	65 259	41 987	11 571	2 829	31 486	22 056
191	523					4 998	1 349
573 030	495 630	65 259	41 987	11 571	2 829	36 484	23 405
(15 591)	(10 847)	(3 552)	(1 285)			(457)	(371)
557 439	484 783	61 707	40 702	11 571	2 829	36 027	23 034
(187 287)	(167 631)	(5 939)	(7 782)	(3 448)	(1 242)	(11 175)	(7 934)
370 152	317 152	55 768	32 920	8 123	1 587	24 852	15 100
7 672	16 307						
(1 831)	(6 890)						
5 841	9 417						
375 993	326 569	55 768	32 920	8 123	1 587	24 852	15 100
370 152	317 152	30 131	21 398	4 143	315	24 852	15 100
370 152	317 152	30 131	21 398	4 143	515	24 852	15 100
		25 637	11 522	3 980	757		
370 152	317 152	55 768	32 920	8 123	1 587	24 852	15 100
375 993	326 569	30 131	21 398	4 143	315	24 852	15 100
375 993	326 569	30 131	21 398	4 143	515	24 852	15 100
		25 637	11 522	3 980	757		
375 993	326 569	55 768	32 920	8 123	1 587	24 852	15 100
370 125	315 954	30 131	21 398	4 143	515	23 996	15 045
(74 402)	(38 851)	(9 097)	(7 009)	(84)	(37)	24 964	17 670
879	836					7 838	6 715
(7 838)	(6 715)	(879)	(836)	(95)			
89 624	71 349	1 129	1 490		130	1 910	250